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30 January 2015

Secretary General  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Ms. Sophie LAU)  
Fax No.: 2978 7569

Dear Ms. LAU,

**Report of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong  
Express Rail Link Independent Expert Panel**

In May 2014, the Chief Executive appointed an Independent Expert Panel (“the Panel”) in light of the delay of the construction of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”). The Terms of Reference of the Panel is at **Annex** for easy reference.

The Government released today the Report of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Independent Expert Panel (“the Report”). It has been put online at GovHK webpage (<http://www.gov.hk/en/theme/iep-xrl/>).

The Transport and Housing Bureau (“THB”) thanked the Chairman of the Panel, Mr Justice Hartmann, and the two Panel members Dr Peter Hansford and Professor Andrew J Whittle, who are engineering experts, for their review of the

implementation of the Hong Kong Section of the XRL as well as the recommendations put forward, aiming to improve the systems, processes and practices for implementing and monitoring the Hong Kong Section of the XRL as well as future new railway projects. These recommendations include the following:

- (1) improve institutional arrangements for concession agreements;
- (2) adopt internationally recognised best practices for complex projects;
- (3) enhance progress reporting;
- (4) suggestions of immediate application to the Hong Kong Section of the XRL Project, including: the MTR Corporation Limited (“MTRCL”) reports against an integrated master programme, the Government and MTRCL provide enhanced access for the Monitoring and Verification Consultant to perform its duties, etc; and
- (5) the Government’s external scrutiny of its portfolio of infrastructure projects.

As pointed out in the Report (at paragraph 1.13), all of the parties involved have co-operated with and provided assistance to the Panel. The Government has co-operated fully with the Panel’s work and provided the Panel with detailed information and a full account in the course of its work.

The THB attaches great importance to the observations and recommendations in the Report. The THB will, together with the Highways Department (“HyD”), actively pursue the Report’s recommendations and explore the implementation arrangements with the MTRCL and other relevant parties, particularly in relation to monitoring and reporting of construction works. Necessary changes in the monitoring mechanism and institutional arrangements, in connection to the mode of agreement to be adopted in the implementation of new railway projects in future, will also be studied in detail. This will include a review of the institutional arrangements for implementing, under the concession approach<sup>1</sup>, future new railway projects under the Railway Development Strategy 2014, taking into account the experience of the

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<sup>1</sup> The Hong Kong Section of the XRL is the first railway project implemented by the Government under the concession approach. Under the concession approach, the Government will fund the construction of the railway and its ancillary infrastructures, and ultimately owns the railway. The MTRCL is entrusted with the design, construction, testing and commissioning of the Hong Kong Section of the XRL. Upon completion of the railway, the MTRCL would be granted a service concession for the operation and the Government will receive service concession payment accordingly.

implementation of the Hong Kong Section of the XRL project and the Report's recommendations.

In November 2014, we provided the Subcommittee on Matters Relating to Railways ("RSC") of the Legislative Council the half-yearly report on the progress and financial situation of the construction of the Hong Kong Section of the XRL for the period ending 30 September 2014, and attended the meeting of the RSC on 2 January 2015 to report the latest project progress. The Government will strengthen its reporting to the RSC on the latest progress of the Hong Kong Section of the XRL project. After the submission of the half-yearly report on the Hong Kong section of the XRL project in November 2014, we will provide quarterly reports thereafter and attend meetings of the RSC to report. We also provide the RSC with quarterly reports on the four domestic railway projects under construction, and attend meetings of the RSC to report.

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. This requires the full co-operation of the MTRCL and relevant engineering staff. The Government will monitor MTRCL's implementation of the remaining works against MTRCL's Programme to Complete. The Government will act in accordance with the Entrustment Agreement as regards the overrun of approved project estimate and the parties' responsibility for bearing the relevant costs. The Government will assess MTRCL's obligations regarding project implementation, works delay and project cost overrun, and will reserve all the rights to pursue the warranties and obligations from the MTRCL.

Yours sincerely,



(Jackson SIN)

for Secretary for Transport and Housing

c.c.

Mr. Henry CHAN, Principal Government Engineer/Railway Development, HyD

**Terms of Reference  
of the Independent Expert Panel**

In respect of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) project:

- (a) to review the project management, monitoring, and cost control mechanisms of the MTR Corporation Limited (MTRCL) on the implementation of XRL project - covering systems, processes, practices and modus operandi of the Corporation;
- (b) to review the monitoring mechanism adopted by the Hong Kong SAR Government over the delivery of the XRL project - covering the interface between MTRCL and the Highways Department over the XRL project; the system, processes, practices and modus operandi of the Highways Department in supervising the implementation of the XRL project; as well as the overseeing role and modus operandi of the Transport and Housing Bureau; and
- (c) to identify systemic and any other problems involved in project implementation and supervision, and to make recommendations on measures for improving the above systems, processes and practices, where appropriate.