

政府總部
運輸及房屋局

運輸科
香港添馬添美道 2 號
政府總部東翼



**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)CR 10/1016/99
來函檔號 Your Ref. CB1/F/3/6
電話號碼 Tel. No. (852) 3509 8186
傳真號碼 Fax. No. (852) 2868 5261

Fax : 2978 7569

13 April 2016

Executive Council Complex
1 Legislative Council Road,
Central, Hong Kong
(Attn. : Miss Sharon LO)

Miss Lo :

Establishment Subcommittee of Legislative Council
Follow-up to discussion on
Paper No. EC(2015-16)15 at the meeting on 2 March 2016

At the meeting of Establishment Subcommittee (“ESC”) held on 2 March 2016, Members requested follow up actions in relation to the Shatin to Central Link (“SCL”) project under Paper No. EC(2015-16)15. We provide reply below:-

Item (a)

In view of the delay of the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”), the Chief Executive appointed an Independent Expert Panel (“IEP”) in May 2014 to review the implementation of the Hong Kong section of the XRL and put forward recommendations, with an aim 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. The report of the IEP (“the Report”) was released on 30 January 2015. The recommendations from the Report include the following:-

- (i) Improve institutional arrangements for concession agreements;

- (ii) Adopt internationally recognized best practices for complex projects;
- (iii) Enhance progress reporting;
- (iv) Suggestions for 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 (“M&V Consultant”) to perform its duties, etc.; and
- (v) Government’s external scrutiny of its portfolio of infrastructure projects.

Transport and Housing Bureau (“THB”) attaches great importance to the observations and recommendations in the Report. The THB, together with the Highways Department (“HyD”), have actively pursued the Report's recommendations, particularly in relation to the monitoring and reporting of construction works. Since SCL project is also implemented under the “Concession Approach”, with reference to the recommendations of the Report, the HyD has implemented the following measures to enhance the monitoring of the progress and financial status of the SCL project since mid-2014:

- (i) an increase in the number of staff in the SCL project team under the Railway Development Office of the HyD to enhance the monitoring role;
- (ii) submission of monthly progress reports to the THB for the SCL project with the adoption of “traffic light” system to facilitate our understanding of current project status;
- (iii) liaising more closely with the MTRCL’s project team and requesting the MTRCL to provide more detailed information;
- (iv) arranging the M&V consultant appointed by the HyD to attend the PSC meetings chaired by the Director of Highways; and
- (v) establishment of a working group amongst the HyD, the M&V consultant and the MTRCL with members from the respective specialised teams to review the programme and progress of the SCL project in detail on a regular basis with all aspects and levels of works covered.

Item (b) & (c)

For the situation of the claims of SCL project, we already reported in detail at Paper No. CB(4)610/15-16(05) submitted to the Subcommittee on Matters relating to Railways in February 2016. The details are repeated below.

As at 31 December 2015, the situation of the claims, including the numbers of claims, amount claimed and interim award, received by MTRCL for the SCL project is listed in the table below.

	Claims resolved			Claims unresolved		
	Number	Amount claimed (\$ million)	Amount awarded (\$ million)	Number	Amount claimed (\$ million)	Interim award (\$ million)
Civil works	14	31.9	20.2	271	1,369.4	171.1
E&M works	6*	0	0	30#	0	0
Total	20	31.9	20.2	301	1,369.4	171.1

* The claims only involved extension of time without cost implication.

For the claims, the contractors have yet to submit detailed information and substantiation, therefore the amount claimed is provisionally stated as \$0.

As at 31 December 2015, MTRCL received 321 substantiated claims and the amount claimed in total was about \$1,401.3 million, representing 2.5% of the awarded contract sum for the contracts. MTRCL has been discussing the details of the claims with the contractors concerned, and would thoroughly assess the amount claimed. MTRCL would process each claim in a prudent manner, and the contractors would have to provide sufficient justifications and information. As at 31 December 2015, 20 cases were resolved and about \$20.2 million was awarded, representing about 0.04% of the awarded contract sum for the contracts. Having regard to the needs of individual works and progress of the relevant assessment and discussion, interim award amounting to about \$171.1 million was made for some cases.

The Government and MTRCL conducted risk assessment at the planning and budgeting stages of the project to minimise claims arising from the works. Nevertheless, there were often unforeseeable situations in the course of works. For instance, the foundation or excavation works might come across a larger amount of or more complicated obstructions than expected. As this would add difficulties to the works, the contractors might have to use more machines or switch to other machines that were more suitable and employ more staff to cope with these situations. The contractors would submit claims in accordance with the contract terms to cover the additional expenditures. Upon receipt of claims from contractors, MTRCL would examine such claims and assess the amount concerned based on the relevant contract terms, justifications, documents, records, etc.

Currently, the amount of claims received from the contractors as compared with the cost of SCL project is at a low level. Since the construction works of the SCL are still in progress, the situation of claims will inevitably change in the future, it is therefore not possible to correctly assess the claim situation right now. We will continue submitting quarterly reports to the Subcommittee on Matters relating to Railways for reporting the claim situation. Since the scale, technical difficulties, works progress and the justifications of each claim of individual project are different, it can hardly be compared with other railway projects.



(S.H.LEUNG)

for Secretary for Transport and Housing

c.c. HyD (Attn.: Mr. Stephen WONG) – Fax 27140147
FSTB (Attn: Ms. Vivian P.L. WONG) – Fax 21475237