

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.  
來函檔號 Your Ref.

電話 Tel. No.: 3509 8173  
傳真 Fax No.: 2136 8016

Email and Fax  
dywlo@legco.gov.hk  
Fax No. : 2978 7569

17 February 2016

Mr. Derek LO  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Mr. LO,

**Hong Kong Section of Guangzhou-Shenzhen-Hong Kong  
Express Rail Link (XRL)**

I refer to the letter from Hon. Tony TSE to the Chairman of the Finance Committee ("FC") of the Legislative Council ("LegCo") dated 3 February 2016, which was forwarded to us on the same day. Our replies to the enquiries are set out below.

As stated in the paper no. CB(4)280/15-16(2) submitted to the Subcommittee on Matters Relating to Railways ("RSC") of the LegCo

earlier, the Government and the MTR Corporation Limited (“MTRCL”) entered into an Entrustment Agreement for entrusting the construction, testing and commissioning of the XRL to the latter. Under the Entrustment Agreement, the Government will have to bear the full cost of the XRL, including any increase from the approved project estimates.

The MTRCL submitted to the Government on 30 June 2015 the latest assessment of the progress of the XRL project. According to the MTRCL’s assessment, the commissioning of the XRL would be the third quarter of 2018, which included a 6-month contingency period. As regards the revised Entrustment Cost, the amount would have to be revised to \$85.3 billion, which included a sum of \$2.1 billion for contingency. The Government takes a very serious view on the cost overrun (from \$65 billion to \$84.42 billion) of the XRL project and is keenly aware of the public’s concern. After several rounds of discussion, the Government and the MTRCL reached consensus on 30 November 2015. In gist, regarding the revised Entrustment Cost, the MTRCL agreed to accept a “cap” at the level of \$84.42 billion. In other words, further cost overrun beyond this level will be borne and financed by the MTRCL (except for additional cost due to *force majeure* or any suspension of works contracts). As this has changed the arrangement set out in the Entrustment Agreement signed in 2010 that the Government would have to bear the full cost of the project, both sides had to sign a supplementary agreement, which had been approved at the MTRCL’s General Meeting on 1 February this year.

The agreement between the Government and the MTRCL on the revised target completion date and the Entrustment cost does not mean that the Government is satisfied with the MTRCL’s performance as the “project manager” of the XRL project. The Government has engaged an external counsel to follow up on MTRCL’s culpability and reserves all the rights to pursue the warranties and obligations from the MTRCL.

Regarding the construction progress, according to the

information provided by the MTRCL, three quarters of the XRL project has been completed. The 26-kilometer tunnel had been broken through. The excavation works at West Kowloon Terminus is closing to the end. The uncertainty of the construction has gradually diminished. The MTRCL is confident that the target completion and commissioning in the third quarter of 2018 can be attained. For the latest progress of the XRL construction works, please refer to the paper submitted to the RSC for discussion on 22 February this year. If the MTRCL is unable to complete the works by the third quarter of 2018, the Government will also address this when we pursue the obligations from the MTRCL as mentioned above.

For the XRL contracts, as at 31 December 2015, the total awarded contract sum for the XRL contracts signed by MTRCL is \$45.236 billion, including 42 major contracts<sup>1</sup>. Details of the major projects can be found in the paper no. PWSC106/15-16(01) submitted to the Public Works Subcommittee (see Annex). According to the information provided by the MTRCL, at present, there are two major contracts, including the equipment at the Stabling Sidings and the testing of electric and mechanical (“E&M”) interface works, and about ten minor contracts which have not been awarded. The MTRCL will handle the related procurement works in a timely manner taking into account the overall construction progress and financial situation of the project.

As regards the claims situation of the XRL project, according to the information provided by the MTRCL, as at 31 December 2015, the MTRCL had received 862 substantiated claims and the amount claimed in total was approximately \$26.9 billion, representing 59.5% of the awarded contract sum for the contracts. The MTRCL has been discussing the details of the claims with the contractors concerned, and would thoroughly assess the amount claimed. The MTRCL would process each claim in a prudent manner, and the contractors would have to provide sufficient justifications and information. As at 31 December

---

<sup>1</sup> Major contract refers to the awarded contract with the contract sum value more than \$50 million.

2015, 170 cases were resolved and about \$1,919 million was awarded, representing about 4.2% of the awarded contract sum for the contracts. Subject to the needs of individual works and progress of the relevant assessment and discussion, interim awards amounting to about \$4,315 million have been made for some cases. Details of substantiated claims are listed out in the table below.

As at 31 December 2015

	Claims resolved			Claims unresolved		
	Number	Amount claimed originally* (\$ million)	Amount awarded (\$million)	Number	Amount claimed* (\$ million)	Interim award (\$ million)
Railway Tunnels	122	3,317	1,732	338	8,873	1,677
WKT	46	247	187	288	11,307	2,434
E&M Works	2	0	0	66	3,177	204
<b>Total</b>	<b>170</b>	<b>3,564</b>	<b>1,919</b>	<b>692</b>	<b>23,357</b>	<b>4,315</b>

\*Amount stated in the contractor's detailed claim report.

Regarding the information on respective works contracts and distribution of amounts involved in the additional funding of \$19,625 million as requested by Hon. TSE, since it involves the estimated project cost by the MTRCL and potential claims made by the contractors, which are commercially sensitive in nature, it is not appropriate for the Government to disclose the details, in order not to affect the on-going discussion between MTRCL and the contractors and jeopardise the protection of public funds.

Yours sincerely,



( Chris NG )

for Secretary for Transport and Housing

Encl.

c.c.

Financial Services and the Treasury Bureau  
(Attn: Ms Priscilla Chan)

(Fax: 2147 5240)

Highways Department  
(Attn: Mr Tony Leung)

(Fax: 2714 5297)

**Details of major contracts for XRL project**

<b>No.</b>	<b>Contract No.</b>	<b>Contract</b>	<b>Contractor</b>	<b>Awarded Contract Sum (\$ million)</b>	<b>Award Date</b>
1	802	Nam Cheong Property Foundation Removal and Re-provisioning	Hsin Chong Construction Co. Ltd.	334	27 January 2010
2	803A	West Kowloon Terminus Diaphragm Walls (Site A)	Bachy Soletanche Group Limited	461	27 January 2010
3	803B	West Kowloon Terminus Piles (Site A - North )	Tysan Foundation Limited	497	10 March 2010
4	803C	West Kowloon Terminus Piles (Site A - South)	VIBRO – Chun Wo Joint Venture	321	27 January 2010
5	803D	West Kowloon Terminus Diaphragm Walls and Piles (WKCD)	Bachy Soletanche Group Limited	819	27 January 2010
6	805	Sham Mong Road Obstruction Removal	Paul Y Construction Co. Ltd.	160	27 January 2010

7	810A	West Kowloon Terminus Station North	Gammon – Leighton Joint Venture	8,910	18 October 2011
8	810B	West Kowloon Terminus Station South	Laing O'Rourke - Hsin Chong – Paul Y Joint Venture	3,321	12 January 2011
9	811A	West Kowloon Terminus Approach Tunnel (North)	Bachy Soletanche – Laing O'Rourke Joint Venture	1,040	3 May 2010
10	811B	West Kowloon Terminus Approach Tunnel (South)	Gammon – Leighton Joint Venture	2,883	13 August 2010
11	815A	Supply of Metal Doors and Frames including Ironmongery	The Jardine Engineering Corporation, Ltd.	99	9 May 2012
12	815F	West Kowloon Terminus – Public Toilet Fit-out works	Wan Chung Construction Co. Ltd.	53	9 September 2013
13	816A	West Kowloon Terminus – Environmental Control System	Shinryo Corporation	783	9 December 2011
14	816B	West Kowloon Terminus – Building Services Control System	Johnson Controls Hong Kong Limited	60	9 December 2011



15	816C	West Kowloon Terminus – Electrical Installation	Shinryo Corporation	550	9 December 2011
16	816D	West Kowloon Terminus – Fire Services, Plumbing & Drainage	Leighton – Chubb E&M Joint Venture	664	9 December 2011
17	820	Mei Lai Road to Hoi Ting Road Tunnels	Dragages – Bouygues Joint Venture	3,669	3 May 2010
18	821	Shek Yam to Mei Lai Road Tunnels	Dragages – Bouygues Joint Venture	1,384	12 July 2010
19	822	Tse Uk Tsuen to Shek Yam Tunnels	Leighton Contractors (Asia) Limited	3,235	10 March 2010
20	823A	Tai Kong Po to Tse Uk Tsuen Tunnels	Maeda – China State Joint Venture	1,502	12 July 2010
21	823B	Shek Kong Stabling Sidings & Emergency Rescue Sidings	Maeda – China State Joint Venture	3,218	20 October 2010
22	824	Ngau Tam Mei to Tai Kong Po Tunnels	Kier - Kaden - OSSA Joint Venture	1,515	13 August 2010
23	825	Mai Po to Ngau Tam Mei Tunnels	Penta – Ocean Construction Co., Ltd.	1,684	27 January 2010



24	826	Huanggang to Mai Po Tunnels	CRCC-HC-CR15G Joint Venture	1,691	10 March 2010
25	830	Trackwork and Overhead Line System	Chun Wo – CRGL – QR Joint Venture	1,169	6 July 2011
26	840	Express Rail Link: Rolling Stock	CSR Qingdao Sifang Co. Ltd.	1,744	7 March 2012
27	841A	Signalling System - Trackside Equipment	Beijing HollySys Co., Ltd.	308	7 March 2012
28	841B	Signalling System - Trainborne Equipment	Beijing HollySys Co., Ltd.	182	7 March 2012
29	842A	Mainland E&M Interface Modification Works	Kong Passenger Dedicated Line Co. Ltd.	94	6 January 2014
30	843	Tunnel Environmental Control System	GAS Joint Venture	260	3 May 2011
31	844	11kV Power Distribution	CLP Power Hong Kong Limited	89	12 February 2014
32	846	Trackside Auxiliaries	Shinryo Corporation	295	10 August 2011
33	847	Lifts	KONE Elevator (HK) Ltd.	175	6 September 2011
34	848	Escalators and Moving Walkways	ThyssenKrupp Elevator (HK) Ltd.	91	6 September 2011

35	849	Radio Communications System	GTECH-CIC Joint Venture	244	19 October 2011
36	850	Passenger Mobile Communications System	Comba Telecom Limited	105	12 December 2012
37	851	Fixed Communications System	Siemens Ltd.	273	19 October 2011
38	852	Ticketing System	Nuctech Company Limited	166	16 April 2012
39	853	Main Control System	Beijing HollySys Co., Ltd.	66	8 November 2011
40	855	Building Services for Tunnel Ventilation Facilities and Emergency Rescue Siding	ATAL Engineering Ltd.	297	12 January 2011
41	856	Building Services for Shek Kong Stabling Sidings	ATAL Engineering Ltd.	140	1 February 2011
42	861A	Locomotives and Flat Wagons	Jiangsu KTK Locomotive & Rolling Stock Co Ltd	78	13 March 2012