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25 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 19 February 2016, which was forwarded to us on the same day. Our replies to the enquiries are set out below.

(1) Programme and Latest Progress of the Contracts

The MTR Corporation Limited (“MTRCL”), as the project manager of the XRL project, awards contracts in a timely manner taking

into account the overall construction progress and financial situation of the project. According to the information provided by the MTRCL, the XRL contracts were generally awarded as programmed during the initial stage of the construction. Due to the delay in the construction progress, the MTRCL adjusted as appropriate the award dates of subsequent contracts to suit the actual construction progress. As at 31 December 2015, the MTRCL awarded 42 major contracts¹. The award dates of these major contracts are listed in the letter (no. FC123/15-16(01)) submitted to the FC of the LegCo and the supplementary information paper (no. PWSC106/15-16(01)) submitted to the Public Works Subcommittee Committee (“PWSC”) (see **enclosure**).

According to the information from the MTRCL, the original anticipated completion dates of the contracts were set to achieve the target commissioning date of the XRL project by 2015. Given the delay in the construction progress, the target commissioning date of the XRL has been deferred to the third quarter of 2018, including a six-month contingency period. Being the project manager, MTRCL shall revise the anticipated completion dates of the contracts according to the relevant conditions of the contracts. Regarding the information on the revised completion date of individual contracts as requested by Hon. TSE, since it involves the assessment and discussion of the MTRCL on the claims for extension of contract period made by the contractors, which is commercial sensitive information, it is considered inappropriate to be disclosed at this stage, in order not to affect the on-going discussion between the MTRCL and the contractors. Disclosure of such information may also adversely impact on the protection of public money. Overall speaking, the anticipated completion dates of the contracts are now set to achieve the target commissioning date of the XRL project by the third quarter of 2018.

The latest overall progress of the XRL project and the progress of the critical contracts can be found in the quarterly report (as at 31 December 2015) (no. CB(4)610/15-16(07)) submitted to the Subcommittee on Matters Relating to Railways (“RSC”) of the LegCo.

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

As at 31 December 2015, the overall progress of the XRL was 76.4% completed, which was ahead of the planned progress of 74.3% based on the target of commissioning of the XRL in the third quarter of 2018. The latest progress of the major contract is in **enclosure**.

(2) Type of contracts and monitoring and verification works by the Government

The MTRCL, being the project manager of the XRL, implements the project with different types of contracts for the best interest of the project. Among 42 major contracts, there are 32 fixed price contracts. The remaining ten are variable price contracts (see **enclosure**). Both types of contracts are widely used in the construction industry. One of the major differences between two types of contracts is the payment mechanism of price fluctuation. In general, under fixed price contracts, the payment received by the contractor does not vary with market price and the risk of the price fluctuation is borne by the contractor. For variable price contracts, the payment payable to the contractor is adjusted with reference to the wages and material prices in the market. In other words, the risk of the price fluctuation is borne jointly by the employer and the contractor.

The MTRCL, being the project manager, supervises and validates the progress of works. It also certifies the contract payments according to the conditions of contracts and actual progress. Regarding the Government's monitoring over the XRL works, the Monitoring and Verification ("M&V") Consultant engaged by the Highways Department ("HyD"), has adopted a "check the checker" approach in performing its monitoring role. Using a risk-based sampling approach, the M&V Consultant conducts monitoring and verification works systematically to assist HyD in verifying whether the MTRCL has implemented the works in accordance with their project management system. Through the M&V mechanism and based on reports submitted by the M&V Consultant, HyD learns of the progress of various works and any inadequacies identified in the project delivery. The MTRCL will forward all modifications and changes to the XRL project with cost

implications to the HyD for review before final approval and decision making. The HyD and the M&V Consultant provide professional advice on the proposed cost changes and follow-up with the MTRCL.

Regardless of whether it is a fixed price contract or not, the M&V mechanism of the Government and the M&V Consultant on the contract are basically the same

Yours sincerely,



(Chris NG)

for Secretary for Transport and Housing

Encl.

c.c.

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Details of major contracts for XRL project

Ref.	Contract Number	Contract Name	Contractor	Type of contract	Awarded Date	Progress of works as at 31 December 2015
1	802	Nam Cheong Property Foundation Removal and Reprovisioning	Hsin Chong Construction Co Ltd	Variable price	27 January 2010	99.8%
2	803A	West Kowloon Terminus Diaphragm Walls (Site A)	Bachy Soletanche Group Ltd	Fixed price	27 January 2010	100%
3	803B	West Kowloon Terminus Piles (Site A - North)	Tysan Foundation Ltd	Fixed price	10 March 2010	100%
4	803C	West Kowloon Terminus Piles (Site A - South)	VIBRO-Chun Wo Joint Venture	Fixed price	27 January 2010	100%
5	803D	West Kowloon Terminus Diaphragm Walls and Piles (WKCD)	Bachy Soletanche Group Ltd	Fixed price	27 January 2010	100%
6	805	Sham Mong Road Obstruction Removal	Paul Y. Construction Co Ltd	Fixed price	27 January 2010	100%

7	810A	West Kowloon Terminus Station North	Leighton - Gammon Joint Venture	Fixed price	18 October 2011	51.7%
8	810B	West Kowloon Terminus Station South	Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture	Fixed price	12 January 2011	89.4%
9	811A	West Kowloon Terminus Approach Tunnel (North)	Bachy Soletanche - Laing O'Rourke Joint Venture	Fixed price	3 May 2010	99.1%
10	811B	West Kowloon Terminus Approach Tunnel (South)	Gammon - Leighton Joint Venture	Fixed price	13 August 2010	72.1%
11	815A	Supply of Metal Doors and Frames including Ironmongery	The Jardine Engineering Corporation Ltd	Fixed price	9 May 2012	67%
12	815F	Public Toilet Fit-Out Works	Wan Chung Construction Company Limited	Fixed price	9 September 2013	40%
13	816A	West Kowloon Terminus - Environmental Control System	Shinryo Corporation	Fixed price	9 December 2011	41.5%
14	816B	West Kowloon Terminus - Building Services Control System	Johnson Controls Hong Kong Limited	Fixed price	9 December 2011	38.8%
15	816C	West Kowloon Terminus - Electrical Installation	Shinryo Corporation	Fixed price	9 December 2011	37.4%

16	816D	West Kowloon Terminus - Fire Services, Plumbing & Drainage	Leighton - Chubb E&M Joint Venture	Fixed price	9 December 2011	39.8%
17	820	Mei Lai Road to Hoi Ting Road Tunnels	Dragages - Bouygues Joint Venture	Variable price	3 May 2010	100%
18	821	Shek Yam to Mei Lai Road Tunnels	Dragages - Bouygues Joint Venture	Variable price	12 July 2010	100%
19	822	Tse Uk Tsuen to Shek Yam Tunnels	Leighton Contractors (Asia) Ltd	Variable price	10 March 2010	99.8%
20	823A	Tai Kong Po to Tse Uk Tsuen Tunnels	Maeda - China State Joint Venture	Fixed price	12 July 2010	92.2%
21	823B	Shek Kong Stabling Sidings & Emergency Rescue Sidings	Maeda - China State Joint Venture	Fixed price	20 October 2010	99.1%
22	824	Ngau Tam Mei to Tai Kong Po Tunnels	Kier-Kaden-OSSA Joint Venture	Variable price	13 August 2010	90.6%
23	825	Mai Po to Ngau Tam Mei Tunnels	Penta-Ocean Construction Co Ltd	Variable price	27 January 2010	98.2%
24	826	Huanggang to Mai Po Tunnels	CRCC-HC-CR15G Joint Venture	Variable price	10 March 2010	98.3%
25	830	Trackwork and Overhead Line System	Chun Wo - CRGL - QR Joint Venture	Fixed price	6 July 2011	72.7%
26	840	Express Rail Link: Rolling Stock	CSR Qingdao Sifang Co Ltd	Fixed price	7 March 2012	52.4%

27	841A	Signalling System - Trackside Equipment	Beijing HollySys Co Ltd	Fixed price	7 March 2012	58.1%
28	841B	Signalling System - Trainborne Equipment	Beijing HollySys Co Ltd	Fixed price	7 March 2012	62.8%
29	842A	Mainland E&M Interface Modification Works	Guangzhou-Shenzhen-Hong Kong Passenger Dedicated Line Co. Ltd.	Fixed price	6 January 2014	44%
30	843	Tunnel Environmental Control System	GAS Joint Venture	Fixed price	3 May 2011	52.2%
31	844	11kV Power Distribution	CLP Power Hong Kong Limited	Fixed price	12 February 2014	42%
32	846	Trackside Auxiliaries	Shinryo Corporation	Fixed price	10 August 2011	47.3%
33	847	Lifts	KONE Elevator (HK) Ltd	Fixed price	6 September 2011	34.0%
34	848	Escalators and Moving Walkways	ThyssenKrupp Elevator	Fixed price	6 September 2011	33.4%
35	849	Radio Communications System	GTECH - CIC JV	Fixed price	19 October 2011	45.6%
36	850	Passenger Mobile Communications System	Comba Telecom Ltd	Fixed price	12 December 2012	51.9%
37	851	Fixed Communications System	Siemens Ltd.	Fixed price	19 October 2011	44.6%

38	852	Ticketing System	Nuctech Company Ltd	Fixed price	16 April 2012	71.0%
39	853	Main Control System	Beijing HollySys Co Ltd	Variable price	8 November 2011	77.0%
40	855	Building Services for Tunnel Ventilation Facilities and Emergency Rescue Siding	ATAL Engineering Ltd	Variable price	12 January 2011	70.9%
41	856	Building Services for Shek Kong Stabling Sidings	ATAL Engineering Ltd	Variable price	1 February 2011	98.1%
42	861A	Locomotives and Flat Wagons	Jiangsu KTK Locomotive & Rolling Stock Co Ltd	Fixed price	13 March 2012	96.2%