

(Translation)

Meeting of LegCo Public Works Subcommittee on 27 January 2016

**Hong Kong Section of
Guangzhou-Shenzhen-Hong Kong Express Rail Link**

Opening Remarks of the Secretary for Transport and Housing

Chairman,

I would like to briefly summarise the issues that are of concern to Members or the Government in these meetings. As mentioned by the Chairman, this is already the fifth meeting of the Public Works Subcommittee (“Subcommittee”) for discussing the additional funding request for the works of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”). In the past 9.5-hour discussion, we have tried our best to answer Members’ questions and have provided five supplementary papers.

2. As I have reiterated several times before, the Government reserves its legal and contractual rights to pursue the responsibility that the MTR Corporation Limited (“Corporation”) should shoulder as the Project Manager in respect of the cost overrun and delay in completion of the XRL. However, we cannot suspend or terminate the works contracts,

or even abandon the XRL project, just because of dissatisfaction about the cost overrun and the performance of the Corporation with no regard to the consequences and the tremendous costs to the community.

3. The works of the XRL are over 75% finished, with completion in sight. The most pressing thing now is to obtain the additional funding without delay for the early completion of the works and commissioning of the XRL, in order to realise the economic benefits that the XRL can bring to Hong Kong. We earnestly hope that this Subcommittee can finish the discussion as soon as possible so that the Finance Committee of the Legislative Council (“LegCo”) can start considering the additional funding application in February. Otherwise, if additional funding were not approved in February, the Government would have to consider by the end of the month whether works should be suspended.

4. Suspension of works has serious consequences. The several thousands of workers involved in the XRL works will bear the brunt of suspension. There are currently about 7 700 people employed by various contractors, among whom about 5 800 are construction workers. **If the XRL project were suspended, most, i.e. over 5 000 workers, would be immediately affected. If the works contracts were eventually terminated, all 7 700 people would be directly impacted.**

5. We have previously explained to the Subcommittee that according to the assessment of the Corporation, suspension of works will involve a cost (for maintaining the works sites and machinery, etc) of \$233 million

per month. Therefore, once suspension is triggered, **part of the funding originally intended for the construction of the XRL will have to be used to cover the costs of suspension.** Such additional costs are **not within the capped Entrustment Cost of \$84.42 billion agreed between the Government and the Corporation, nor do they include the costs of settling other claims that contractors may file as a result of the suspension.**

6. According to the supplementary agreement signed between the Government and the Corporation on 30 November 2015, costs arising from suspension or termination of works are not covered by the cap on the Entrustment Cost. Therefore, even if the Finance Committee of the current-term of the LegCo will approve the additional funding request within 180 days after the project suspension has started, any additional costs arising from works suspension are beyond the current funding application of \$19.6025 billion and have to be separately dealt with. If works are suspended or works contracts are terminated, the revised date of XRL commissioning, i.e. the third quarter of 2018, will be untenable and has to be postponed.

7. Chairman, the Government fully understands the concerns of the public and Members as regards the implementation of the co-location of Hong Kong's and Mainland's customs, immigration and quarantine ("CIQ") facilities. We have explained the issue multiple times and have also provided a supplementary paper. The target of the Government has been very clear all along, which is to implement the co-location of CIQ

facilities when the XRL is commissioned, so as to bring maximum convenience to passengers and more economic and social benefits to Hong Kong. The Government has been continuously discussing with the relevant Mainland authorities to ensure that a co-location arrangement can be formulated that does not contravene with the stipulations of the Basic Law and the principle of “One Country, Two Systems”.

8. As we have been reiterating, cost overrun and co-location of CIQ facilities are two issues of completely different nature and hence should be handled separately. The Government will not be able to finalize a concrete proposal on the co-location of CIQ facilities within the next two to three months. However, the most pressing issue right now is to process the request for additional funding for the XRL project. We will definitely present clearly to the public the proposal for implementing co-location of CIQ facilities when it is ready, and such proposal will be subject to the approval of LegCo. The Government will not take the matter lightly.

9. Thank you, Chairman.

Transport and Housing Bureau

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