

5 December 2017

Fax: 2840 0716

Hon Michael TIEN Puk-sun, BBS, JP
Chairman
Subcommittee on Matters Relating to Railways
Legislative Council
Legislative Council Complex
1 Legislative Road
(Attention: Ms Sophie LAU, Clerk to the Subcommittee)

Dear Chairman,

Latest Estimate of Cost to Complete for Shatin to Central Link Project

The MTR Corporation ("The Corporation") has been submitting quarterly progress reports of the Shatin to Central Link ("SCL") project to the Subcommittee on Matters Relating to Railways ("RSC"). We have previously announced that, due to continuing challenges posed by external factors and difficulties similar to those encountered by most major infrastructure projects in Hong Kong, the Cost to Complete ("CTC") for the project will need to be revised upwards significantly and that the Corporation will complete a detailed review of the CTC before the end of 2017. We would like to update the RSC that the cost review has been completed and the findings have been submitted to Government today.

Taking into account a number of factors, including issues such as archaeological finds, government's requests for additional works and late or incomplete handover of construction sites as well as challenges common to many infrastructure projects, the Corporation has increased the latest estimate of the main construction works of the SCL by \$16,501 million from \$70,827 million¹ to \$87,328 million, representing an increase of 23%.

Around 70% of the increase² is attributable to additional costs arising from external factors, such as the handling of the archaeological finds in the work sites of Sung Wong Toi Station, the late or incomplete handover of construction sites in Wan Chai North, as well as unbudgeted foundation works for future top-side development at Exhibition Centre Station (formerly known as Exhibition Station). The SCL project is also faced with other challenges common to many infrastructure projects, such as shortage of labour in the construction sector and unfavourable ground conditions.

(...p.2)

¹ The approved funding for the main works of SCL under Finance Committee papers "61TR-SCL-construction of railway works-remaining works" and "62TR-SCL-construction of non-railway works-remaining works" is \$71,416 million (in money-of-the-day prices). The sum entrusted to the Corporation by Government for the main construction works is \$70,827 million.

² Net of contingencies.

The latest estimate is based on a detailed review of the revised programme to complete the "Tai Wai to Hung Hom Section" and "Hung Hom to Admiralty Section" in mid-2019 and 2021 respectively. With the implementation of effective delay recovery measures, the target date for completion of the "Tai Wai to Hung Hom Section" has been advanced by 6 months to mid-2019, notwithstanding the 11-month delay caused by the archaeological finds.

The Corporation has submitted the latest CTC estimate to Government and stands ready to provide any further information required to assist the Government in its review of such estimate. Meanwhile, the Corporation will continue to closely monitor and control costs, while ensuring the smooth delivery of the SCL "Tai Wai to Hung Hom Section" and "Hung Hom to Admiralty Section" in mid-2019 and 2021 respectively.

Yours sincerely,



Dr Philco Wong
Projects Director

Copy to:

The Secretary for Transport and Housing
(Attention: Mr Peter MAK/ Fax: 2868 4643)

The Director of Highways
(Attention: Mr Jonathan LEUNG/ Fax: 2714 5297)