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15 May 2014

Secretary General
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Ms. Sophie LAU)

By Fax: 2978 7569

Dear Ms. LAU,

**Request for Administration's Submission of
Notes of the Meeting held on 21 November 2013 between
Representatives of the Administration and MTR Corporation Limited to
Subcommittee on Matters Relating to Railways**

I refer to the letter dated 7 May 2014 from the Hon. James TO to the Chairman of the Subcommittee on Matters Relating to Railways (RSC) that you forwarded to us on 8 May 2014. I have been authorised to reply as follows.

The key points of discussion at the meeting held on 21 November 2013 between the Transport and Housing Bureau (THB) and the representatives of the MTR Corporation Limited (MTRCL) are detailed at the **Annex**. They are prepared by the Government as a record of the meeting. Comments from MTRCL have not been sought.

The meeting deliberated at length the possibility of the **completion and commissioning** of the XRL in 2015. The crux lay in the assessment on the progress of cross-boundary tunneling works under Contract 826 instead of the works of the West Kowloon Terminus (WKT).

In August/September 2013, MTRCL raised the possibility of “partial opening” scenario with the Highways Department (HyD). Under the “partial opening” scenario, six out of the 15 tracks and the essential railway facilities at the WKT should be ready to provide passenger service in order to meet the passenger demand at the initial commissioning of the XRL. As MTRCL did not provide adequate information at that time supporting the feasibility of the “partial opening” scenario, HyD, without indicating agreement to the proposal, requested MTRCL to provide further information such that a report could be made to THB. At the meeting on 21 November, the Government queried that even if the “partial opening” scenario for the WKT were adopted, the XRL could not commence operation if the tunneling works of Contract 826 could not be completed in time. MTRCL explained that based on their successful experience in delivering several rail lines in the past, they were confident that they could catch up with the delay.

The Government had two prime considerations on that day. First, while the commissioning of the XRL by 2015 was an important policy and planning objective which should be achieved as far as possible, we had to face squarely any delay caused by insurmountable technical difficulties that the project had come across. The point was that we had to alert the Legislative Council (LegCo) and the public as early as possible. Second, at the meeting, the Chief Executive Officer and the Projects Director of MTRCL both assured the Government many times, with much confidence, that the XRL could be commissioned by 2015, and did not lose their confidence despite the Government’s repeated queries and challenges. In fact, based on the information available, the Director of Highways and his colleague could not rule out, at the meeting, the possibility of the commissioning of the XRL by 2015. At the meeting, MTRCL also made it clear that should it be made public at that stage that the target of 2015 might be changed, MTRCL would lose its leverage to urge its contractors to push forth the project, and the commissioning of the XRL by 2015 would then be really impossible. At that time, the Government considered the MTRCL’s view reasonable and we should strive to avoid a self-fulfilling prophecy.

The reason for not mentioning the “partial opening” arrangement of the WKT at the LegCo RSC meeting held on the following day (22 November) was that the Government had not agreed to such an arrangement. We opined that MTRCL had not provided adequate information supporting the feasibility of the scenario. More importantly, our assessment at that time was that the crux lay in the assessment on the

progress of cross-tunnelling works under Contract 826. If the tunneling works could not be completed, the timely completion of WKT works would not be of much relevance. Our focus was thus on the completion date of the tunneling works. The fact was, on that day the Government could not completely rule out the possibility of the construction works to be completed by 2015.

Therefore, at the LegCo RSC meeting on 22 November, the Government stated that “based on the latest assessment of MTRCL, the major works of the XRL could be completed within 2015. Thereafter, testing and trial runs would be conducted. Normally, this would take six to nine months. The railway might only come into operation after the relevant authorities have approved the test results so as to ensure the safety and reliability of the railway service”. The statement did reflect the respective views of the THB (including HyD) and MTRCL on the progress of the works. In particular, from the perspective of THB, we would like to convey the message that while the major works could be completed within 2015, the date of commissioning would have to be confirmed. The statement also took account of the consideration on urging the contractors to push forth the project hoping to give the MTRCL a chance to catch up with the delay. We also made it clear to the MTRCL that we had to report to the public as soon as possible if it became clear in the coming months that the progress of delay recovery was not satisfactory. Following the meeting, HyD has been asking MTRCL to submit details on the progress of the delay recovery measures to ascertain whether the target commissioning date should be revised.

Yours sincerely,



(Miss Winnie Wong)

for Secretary for Transport and Housing

Encl.

c.c. Director of Highways

Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL)

Meeting on 21 November 2013

Present

Government representatives

Mr. Joseph Lai, Permanent Secretary for Transport and Housing
(Transport)

Mr. S M Yau, Under Secretary for Transport and Housing,

Mr. K K Lau, Director of Highways

Mr. F Chan, Director of Electrical and Mechanical Services,

Mr. Henry Chan, Principal Government Engineer/Railway Development,
Highways Department

Ms. Rebecca Pun, Deputy Secretary for Transport and Housing
(Transport)¹

Ms. Winnie Wong, Principal Assistant Secretary for Transport and
Housing (Transport)³

MTRCL's representatives

Mr. Jay Walder, Chief Executive Officer

Mr. T C Chew, Projects Director

Mr. Jacob Kam, Operations Director

Mr. Antonio Choi, General Manager (XRL)

Ms. Maggie So, Deputy General Manager – Projects & Property
Communications

1. The Government stated that the Highways Department (HyD) and MTRCL briefed the Transport and Housing Bureau (THB) on 8 November 2013 on the latest position of the XRL project, including the construction progress of the West Kowloon Terminus (WKT) and the tunneling works under Contract 826. At that meeting, MTRCL expressed that WKT could be ready for “partial opening” by December 2015. Under the “partial opening” scenario, six out of the 15 tracks and the essential railway facilities at the WKT should be ready to provide passenger service. As for the tunneling works under Contract 826, they could only be completed by October 2015 and the testing of XRL (which would normally take three months) could only commence from October 2015. As it would take at least another three months to conduct trial runs, the target opening date of end-2015 might be affected. A similar briefing was conducted for the Secretary for Transport and Housing (STH) on 20 November. Based on the assessment of works progress, THB contemplated making it public at the Legislative Council (LegCo) Subcommittee on Matters Relating to Railways (RSC) meeting scheduled for 22 November 2013 that the XRL might only commence operation after 2015.

2. In the morning of that day (21 November), the Chief Executive Officer (CEO) of MTRCL called STH saying that the XRL works could be completed in 2015 and service could commence by end-2015. The CEO did not agree to inform the RSC on

22 November that the completion date of 2015 would be delayed. STH responded that the Projects Director of MTRCL had informed the Government of the delay. The CEO said that he would further check with the Projects Director. He subsequently called STH again saying that he had confirmed with the Projects Director and stressing that the XRL could come into service by end-2015. STH did not accept this conclusion and directed the Permanent Secretary for Transport and Housing (Transport) (PST) to hold an urgent meeting with the CEO of MTRCL to clarify the situation.

3. The Government said that the meeting aimed at obtaining the latest assessment from MTRCL on the completion and commissioning date of the XRL. Should it become apparent that the XRL could not be completed and commissioned by 2015, we had a duty to inform the public as early as possible.
4. The MTRCL expressed that the 2015 commissioning date was still achievable and all contractors were working towards this target.
5. The Government said that they were confident that the MTRCL could complete the works. But the Government expected the LegCo RSC would ask whether the XRL could be completed and commissioned in 2015. The Government said that the MTRCL had been informing the Government that even if the WKT could be partially opened by end-2015, the severe delay in the cross-boundary tunneling works under Contract 826 was their main concern. If the

testing and trial runs of XRL could only commence in October 2015, the Government queried how MTRCL could complete all necessary procedures within three months. If there was indeed delay in the XRL, we could not avoid the question and we had to inform the public as soon as possible.

6. The Government said that we could inform the public that the works were very complicated. Taking into account the need to conduct testing and trial runs, we anticipated that there would be delay in the XRL. While we hoped to complete the XRL by 2015, a more realistic assessment for the commissioning date would be within 2016 even though we could not preclude, at that stage, the possibility that the XRL might be commissioned in 2015. The Government asked if the MTRCL was still confident that they could complete the XRL works within 2015.
7. MTRCL said that two dates were crucial, i.e. the completion date and the commissioning date. They said that it was still possible for the XRL to be completed and commissioned in 2015.
8. The Government said that if the XRL works could be completed in the first half of 2015, then we could say that the XRL could be commissioned in 2015.
9. MTRCL said that they had indeed been saying that the XRL works could be completed by 2015. At the briefing for THB on 8 November 2013, they said that the opening date of 2015 might be

affected. Their assessment then had assumed that the contractors had not yet fully recovered the delay. But MTRCL said that they were trying hard to identify solutions to meet the target commissioning date of 2015. They said that they believed, at the very least, single track operation would be possible in 2015 (single track operation was to use a single track for the northbound and southbound trains, running alternatively between WKT and the boundary of the Mainland). As the train schedule at the initial opening phase was not frequent, such an arrangement might be feasible. In addition, they explained that the information presented earlier was meant for the relevant Mainland units so as to urge them to expedite the tunneling works on the Mainland side.

10. The Government said that both sides were trying to tackle the situation in good faith. Given what was happening on the ground, we should inform the public immediately that the XRL might not commence operation in 2015 even though we could not completely discount this possibility.
11. MTRCL said that they would have a better sense of the subsequent works after the first cross-boundary tunneling boring machine had crossed to the Hong Kong side. Once the works for one of the tracks were completed, they could start trial runs using that track. MTRCL said that all projects encountered challenges and such challenges could be overcome. They did not see how XRL was fundamentally different from other projects in this aspect. They

failed to see any benefit of changing the 2015 target at that time. Based on their successful experience in delivering several rail lines in the past and Hong Kong's "can do" spirit, they were confident that they could catch up with the delay. MTRCL said that the project had encountered delays earlier and such delays could be recovered.

12. The Government queried that single track operation did not comply with government's requirement. They expressed clearly that this was unacceptable. If the 2015 target was only achievable by using the single track operation, we had to inform the public.
13. MTRCL said that it remained their target to have dual track dual direction operation and that single track operation was only a fall-back in the worst case scenario. They would need another six months before they could confirm if they could catch up with the delay.
14. The Government asked MTRCL if they were confident that the second cross-boundary tunnel boring machine could cross to the Hong Kong side by early 2015 and that the XRL works could be completed within 2015.
15. MTRCL said that they did not under-estimate the challenges in the project and they would keep urging the contractors to expedite works. They considered it premature to inform the LegCo RSC on the following day (22 November) that the target commissioning date of XRL would be changed.

16. The Government said that the MTRCL had submitted to the Government quarterly reports on the progress of the cross-boundary tunneling works for the past year and the reports had indicated continual delay in the works. According to the latest report, the tunneling works could only be completed in October 2015. The Government asked why MTRCL would still be confident that they could recover the delay for the entire project.
17. MTRCL said that it was imperative to adhere to the 2015 target so that they could continue to “exert pressure” on the contractors. They said that if we were to announce a change of commissioning date to 2016, it might become a “self-fulfilling prophecy”. The best way for the project to achieve its original target was to keep urging the contractors to move forward.
18. The Government asked MTRCL what target they had given to the contractors. MTRCL said that they had been telling the contractors that the XRL should start passenger service within 2015.
19. The Government noted that there was delay in the cross-boundary tunneling works, and such delay would eat into the time for the tunneling work on Hong Kong side, thus posing challenges to MTRCL. MTRCL said that once the cross-boundary tunneling works had completed and the tunnel boring machine had crossed to and started works on the Hong Kong side, they would be in a better position to assess the situation and catch up with the delay as soon as

possible. MTRCL requested that Government give them six more months before making a judgment on whether XRL could be completed by 2015.

20. The Government reminded MTRCL not to over-state its ability to overcome all the challenges then. MTRCL said that while there was delay in the cross-boundary tunneling works, WKT could start operation by end-2015.
21. MTRCL expressed the view that it was too early to say at this stage (i.e. November 2013) that the target date could not be met as there were two more years to go. Doing so would be rare for a project of this scale. Giving up the target would relieve the pressure on the contractors to complete the works on time and would not help the Projects Team in delivering the project.
22. The Government asked the MTRCL what delay recovery measures they intended to deploy and if MTRCL continued to use 2015 as the completion and commissioning target. With the prime objective of ensuring rail safety, there had to be a period of testing and trial runs after the completion of works before the XRL could come into service. MTRCL said that they would make the best endeavor to achieve the 2015 commissioning target.
23. The Government asked MTRCL, based on the assessment then, whether we could state that the XRL works could be completed

within 2015. MTRCL said that we could stress that the MTRCL would make their best endeavor to achieve the 2015 target. MTRCL also said that testing on the Hong Kong side could be conducted in phases. The Government said that cross-boundary testing could only start upon the completion of works for the entire section.

24. The Government enquired again if MTRCL remained confident that the XRL could be commissioned by end-2015. MTRCL said that there were still two years before 2015 and they remained confident that they could recover the delay. The Government asked MTRCL if that meant the information they had submitted earlier (i.e. 8 November) was overly pessimistic. MTRCL said that according to his understanding, the report was intended to be used for requesting the relevant Mainland units to recover delay.
25. MTRCL also said that they had all along kept HyD abreast of the challenges they faced. The Government said that they were aware that the project had encountered delay in different contracts and MTRCL had taken measures to recover delay. At the same time, the Government had reminded MTRCL before that any delay recovery measures should not cause any cost-overrun for the XRL project. The Government reminded MTRCL that they should inform the Government immediately if they found that the XRL works could not be completed on time.

26. In the end, both sides at the meeting agreed to inform the LegCo RSC that the main works of XRL could be completed within 2015. There would be testing and trial runs (which would normally take six to nine-months) upon the completion of works. Separately, both sides agreed that if pressed on the month in which the works would be completed, it should be pointed out that the concrete timing was uncertain though the best efforts would be made to complete the works by 2015. If asked on whether the XRL could only come into service in 2016, we should undertake to report to the RSC in six months' time when we had a better assessment.

- End -