

By Fax: 2978 7569

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18 February 2015

Ms Sophie LAU
Clerk to Select Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms. LAU,

**Select Committee to Inquire into the Background of and Reasons for the Delay of
the Construction of the Hong Kong section of the
Guangzhou-Shenzhen-Hong Kong Express Rail Link (“Select Committee”)**

Request for information

Thank you for your letter dated 23 January 2015 to the Secretary for Transport and Housing (“STH”) on the captioned subject. I have been authorised to reply as follows.

Item (a)

On 26 January 2010, the Government and the MTR Corporation Limited (“the Corporation”) entered into an *Entrustment Agreement for Construction and Commissioning of the Express Rail Link* (“EA2”). Earlier on 24 November 2008, the Government and the Corporation entered into an *Entrustment Agreement for Design and Site Investigation in relation to the Express Rail Link* (“EA1”).

Given these two documents are confidential in nature and their contents involve sensitive commercial information, the EA1 and EA2 are for the internal reference of Government and the Corporation only (i.e. the two contractual parties of

the EA1 and EA2). To facilitate the work of the Select Committee, and having obtained the consent from the Corporation to disclose the EA1 and EA2, we are prepared to provide the EA1 and EA2 (with very minimal redactions) to the Select Committee on a confidential basis, i.e. the EA1 and EA2 are to be classified as confidential and are to be provided in confidence for use by the Select Committee members at closed hearings. We note from the practice and procedure of the Select Committee that any information obtained by way of oral evidence or in the form of documents provided at closed hearings shall not be disclosed by the Select Committee. Subject to the Select Committee's agreement, we will provide a copy of the EA1 and EA2 to the Select Committee separately.

Item (b)

Before the Rail Merger in December 2007, all railway projects were financed under the ownership approach. Under this approach, the railway corporations were responsible for the funding, design, construction, operation and maintenance of the railway, and ultimately own the railway. Since the two railway corporations operated on commercial principles, they would not take up financially non-viable railway projects unless some form of financial support was provided by the Government as appropriate. The form of funding support for each railway project was considered on a case-by-case basis.

Upon the implementation of the Rail Merger, the Corporation was granted a service concession by the Kowloon-Canton Railway Corporation ("KCRC") to operate the existing and new KCR railway lines under construction. The Corporation is now responsible for the operation, maintenance and improvement of the KCR system, including the replacement of the concession assets, during the concession period. It exercises control over all the operational arrangements of the KCRC network in addition to its own network and is responsible for the performance of the total system. Upon expiry or termination of the service concession, under the terms of the service concession agreement dated 9 August 2007 between the Corporation and KCRC, the Corporation would be required to return to KCRC an operating KCR system that meets the prevailing operating standards. In other words, KCRC is not disposing of the railway system to the Corporation, and the Corporation is not acquiring the KCRC's railway assets (except for certain low value items such as spare parts and consumables).

It was also agreed in the context of the Rail Merger that for individual new

railway projects which are not natural extensions of the network of the Corporation, the Government has the discretion to determine whether to adopt the ownership approach or the concession approach.

The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”) is the first railway project implemented by the Government under the concession approach. Under the concession approach, the Government will fund the construction of the railway and its ancillary infrastructure, and ultimately owns the railway. The Corporation is entrusted with the design, construction, testing and commissioning of the Hong Kong section of the XRL. Upon completion of the railway, the Corporation would be granted a service concession for the operation and the Government would receive service concession payment accordingly. Subject to the agreement between the Government and the Corporation concerning the terms of the service concession, it is the Government’s intention that one of the conditions for the grant of service concession for the operation of XRL to the Corporation would be that upon the expiry or early termination of the franchise granted to the Corporation under section 4 of the Mass Transit Railway Ordinance (Cap. 556), the Corporation will have to return the XRL railway and assets to the Government.

When considering whether the ownership or concession approach should be adopted for the Hong Kong section of the XRL in 2008, the Government had in mind the following considerations and finally decided to adopt the concession approach for the XRL:

- (i) XRL is a major cross-boundary infrastructure. The Hong Kong section of the XRL would be connected to the Mainland section which forms part of the national railway network owned by the Mainland authorities. Ownership of the Hong Kong section by the HKSAR Government would facilitate coordination and resolution of interface issues between the Hong Kong and Mainland sections, both during construction and operation. These interface issues include, for example, the adoption of standards to ensure inter-operability of the two systems, the allocation of train paths, the fire-fighting and emergency evacuation arrangements etc.
- (ii) The financial viability of the project is subject to a host of factors, including, for example, fare level, fare adjustment mechanism and revenue split mechanism which need to be discussed with the company running the Mainland section, and the availability of train paths and

cross boundary facilities arrangement, which need to be further negotiated between the HKSAR Government and the Mainland authorities. In light of these uncertainties, a conservative approach had been adopted in assessing the financial viability of the project, thus arriving at a substantial funding gap.

- (iii) Under the concession approach, the Government could capture the upside of the XRL's performance under a revenue-sharing mechanism and could get back a fully operational XRL system at the end or upon termination of the service concession. The Government would also be in a better position to liaise with the Mainland authorities over issues such as allocation of train paths and co-location of boundary control facilities to enhance the long-term profitability of the project; hence the concession approach would in the long run make more financial sense for the Government.

As provided in the EA2, the Corporation shall use its best endeavours to complete, or procure the completion of, the Entrustment Activities in accordance with the Entrustment Programme; and to minimize any delay or other effect which any modifications may have on the Entrustment Programme. In this connection, the Corporation shall act in accordance with its management systems and procedures. Moreover, the Government shall be entitled to appoint an appropriate consultant to verify the Corporation's compliance with its obligations under the EA2. At any time the Corporation is in material or persistent breach (or the Government, acting reasonably, suspects that the Corporation is in material or persistent breach) of any of the Corporation's material obligations under the EA2, the Government shall be entitled to verify the Corporation's compliance with the Corporation's obligations under the EA2.

In the event of any errors or omissions by the Corporation which constitute breaches of the EA2 by the Corporation and as a result of which the re-execution of the Entrustment Activities is required, the Corporation shall, if required by the Government, at its own cost re-execute (or procure the re-execution of) such Entrustment Activities to the reasonable satisfaction of the Government.

Should there be a delay and to the extent that the delay in question is not covered by any modification or adjustment to the Entrustment Programme, it may amount to a breach of the Corporation's obligations under the EA2 and the

Government may have a claim against the Corporation for such a breach.

In addition, the Corporation warrants the Government on a number of matters including that the Entrustment Activities that relate to the provision of project management services, such Entrustment Activities shall be carried out with the skill and care reasonably expected of a professional and competent project manager whose role includes co-ordination, administration, management and supervision of the design and the construction of works. Should the delay in question involve a breach by the Corporation of any of its warranties, the Government may have a claim against the Corporation for breach of warranties.

The Administration's papers submitted to the Legislative Council during 2008 to 2009 contained relevant information on implementing the Hong Kong section of the XRL under the concession approach, viz.:

- (i) *Administration's paper on Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link (Legislative Council Brief)* for the Legislative Council Subcommittee on Matters Relating to Railways ("RSC") meeting on 2 May 2008;
- (ii) *Administration's paper on Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link (Follow-up paper)* (LC Paper No. CB(1)1749/07-08(01)) in May 2008; and
- (iii) *Administration's paper on Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link: Funding Arrangement and Special Rehousing Package (Legislative Council Brief)* for the RSC meeting on 22 October 2009.

Item (c)

The Project Supervision Committee ("PSC"), which is chaired by the Director of Highways ("DHY") meets on a monthly basis between the Government and the Corporation. The current membership list of the PSC is at **Appendix A**. The Corporation is required to submit a monthly progress report setting out the latest progress and financial position of the project to the PSC ("PSC reports"). For the period from February 2010 to April 2014, there were 51 PSC reports submitted by the Corporation. These PSC reports, with necessary redactions in relation to commercially sensitive information, are placed in the Corporation's XRL Project Data Room. Due to the confidential and commercially sensitive nature of the PSC reports, we will provide the Select Committee with redacted versions of these documents (same as the copies placed in the Corporation's XRL Project Data Room) in

confidence for use by the Select Committee members at closed hearings. Subject to the Select Committee's agreement on our proposed arrangement, we will send those PSC reports to the Select Committee separately.

Head of Department ("HoD") meetings are held regularly for DHy to update STH on various major aspects of the work of the Highways Department ("HyD"), including the project progress of the XRL. While there are no formal notes of such HoD meetings, briefing notes are prepared by the HyD for discussion at the meetings. In view of the confidential nature of the HoD meetings, these briefing notes are normally for Government's internal reference only. To facilitate the work of the Select Committee, we are prepared to provide a set of key points of those parts of the briefing notes in relation to XRL in confidence for reference by the Select Committee members at closed hearings. Subject to the Select Committee's agreement on our proposed arrangement, we will send the set of key points to the Select Committee separately.

Item (d)

The key points of discussion at the meeting held on 21 November 2013 between THB and the Corporation have already been detailed at the Annex to the Administration's response to RSC dated 15 May 2014 (LC Paper No.: CB(1)1422/13-14(04)), which is also now provided at **Appendix B** of this letter. THB has no other record on that meeting.

Item (e)

There is no telephone recording or record of the telephone conversation between Mr Jay H WALDER, the former Chief Executive Officer of the Corporation, and Professor Anthony CHEUNG, STH, discussing the project of the Hong Kong section of the XRL on 21 November 2013. What had transpired during that telephone conversation was already included in the Administration's paper to RSC (LC Paper No.: CB(1)1328/13-14(03)) based on STH's recollection. Paragraph 2 of the Annex of the Administration's response at Appendix B also has relevant information. As a matter of practice, STH does not make any recording of telephone calls or of any conversation with callers over telephones.

Item (f)

The construction of West Kowloon Terminus (“WKT”) at Jordan Road falls within Contract 811B which commenced in August 2010. According to HyD’s available records, before the commencement of the contract, there was one record of request made by the Corporation in March 2010 to carry out trial trench excavation for watermains laying across Jordan Road between D1A Road and Canton Road, which was outside the WKT boundary. This application was approved by HyD in March 2010.

Disclosure of information

We note from your letter of 23 January 2015 that information provided by us will be made available to the media and the public upon request and be placed on the website of the Legislative Council, and may also be included in the Select Committee’s report. Please be advised that the information mentioned in preceding paragraphs is provided to the Select Committee for the sole purpose of assisting its inquiry into the delay of the Hong Kong section of the XRL project. On Items (a) and (c), the documents contain commercially sensitive information. We should therefore be grateful if the Select Committee would confirm its agreement to our proposed arrangement as aforesaid. Subject to the Select Committee’s confirmation, we will provide the Select Committee with the documents accordingly.

Yours sincerely,



(Jackson SIN)

for Secretary for Transport and Housing

c.c.

Mr. Henry CHAN, Principal Government Engineer/Railway Development, HyD
(Fax: 2714 5297)

**Project Supervision Committee (“PSC”)
for Hong Kong section of Guangzhou-Shenzhen-Hong Kong
Express Rail Link (“XRL”)**

Current membership
(as at 2 January 2015)

Highways Department

Director of Highways (*Chairman*)

Principal Government Engineer/Railway Development

Government Engineer/Railway Development 2

Chief Engineer/Railway Development 2-3

Senior Engineer/XRL(3) (*Secretary*)

Transport and Housing Bureau

Principal Assistant Secretary for Transport & Housing (Transport) 3

Assistant Secretary for Transport and Housing (Transport) 3A

MTR Corporation Limited

Projects Director

General Manager – XRL

General Manager – XRL E&M

Programming Manager – XRL

CB(1)1422/13-14(04)

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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-overflow 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 -