

## **Part III      Conclusions and Recommendations**

### **Chapter 8      Recommendations**

8.1      The Select Committee makes the following recommendations on how the Government can enhance supervision of construction of railway projects and strengthen the control mechanism of the Corporation in delivering railway projects in future based on its findings and conclusions set out in Chapters 3 to 7.

#### **Recommendation 1: To improve institutional arrangements under the concession approach**

8.2      The Select Committee is of the view that although the Corporation was entrusted with the design, construction, testing and commissioning of HKS of XRL and the delivery of the Project, HyD, as the professional department carrying the responsibility of the Government, should have played a more active and proactive role in monitoring the Project and tried its best to ensure the completion of the Project on time and within budget. The Select Committee recommends that, if the concession approach were to be adopted again for large scale railway projects in future, the Government would require a major and comprehensive review of the approach in general and in detail. To better protect public interest and use of public money, the Government, as the ultimate owner of the projects, must take a more active and proactive role in monitoring more closely the execution of the projects with the aid of expert and independent advice. (paragraphs 3.62, 3.63, 7.7 and 7.8)<sup>180</sup>

8.3      While the Government may have good justification for adopting the concession approach, particularly in commercially not viable projects required for the public good, the Government should review and study in

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<sup>180</sup> Members voted on Ms Claudia MO's proposal to amend paragraph 8.2. Ms Claudia MO voted in favour of the proposal. Mr CHAN Kam-lam, Mr Frankie YICK Chi-ming and Mr CHAN Han-pan voted against the proposal. The proposal was defeated (please refer to paragraphs 64 to 66 of the Minutes of Proceedings of the meeting held on 14 June 2016 in this Report).

detail ways to improve the work mechanisms of the concession approach, including matters such as setting up the necessary institutional arrangements for effective M&V, defining clearly the roles and responsibilities of the parties concerned, putting in place objective measurement of performance and means of intervention and replacement. For example, for effective M&V, the Government should require explicitly the project manager to develop and maintain adequate management tools, such as an integrated PMP with specified project milestones, as a baseline to facilitate monitoring.

## **Recommendation 2: To improve the corporate governance of the Corporation**

8.4 The Select Committee considers that the Board's governance over the Corporation's affairs is less than satisfactory. (paragraphs 5.36, 5.37, 7.33 and 7.34) The Select Committee notes as facts that the Government is the majority shareholder of the Corporation and that the Corporation is one of the most important public transport providers in Hong Kong holding a de facto monopoly in rail transport which touches on the daily life of many Hong Kong citizens.

8.5 The Select Committee notes that one of the recommendations in the 1<sup>st</sup> IBC report was that the Board should establish a Capital Works Committee to oversee in future any project involving design and construction of a significant capital value as assessed by the Board. The Select Committee supports this recommendation and is pleased to see that the Corporation has set up two new committees under the Board, namely the Capital Works Committee and the Risks Committee, in August 2014 to facilitate more in-depth and focused monitoring of the construction progress of the Project and overall risk management of the Corporation. Further, the Select Committee welcomes the Government's initiatives, as announced in the 2015 Policy Address, to enhance monitoring of the Corporation in tandem with railway development to ensure that the Corporation can maintain an overall high standard of corporate governance.

8.6 The Select Committee recommends that the Corporation should itself ensure that its corporate governance is maintained at a high standard commensurate with a company of such size and reputation. When undertaking railway projects in future, the Corporation should work on an

appropriate and effective internal mechanism so that important matters relating to the railway projects under construction would be brought to the attention of the Project Team, the CEO, the relevant supervisory committees such as the Capital Works Committee, the Risks Committee and the Audit Committee and, ultimately, the Board itself. It should also ensure that reporting of such important matters is made to the Government timeously, fully and frankly in projects which involve public interest and/or require public funding or public resources.

### **Recommendation 3: To enhance communication with LegCo and the public**

8.7 The Select Committee finds that the information provided in the seven half-yearly reports before April 2014 was not comprehensive, precise or timely enough to provide a full picture of the Project's progress to Railways Subcommittee. The Select Committee considers that THB and the Corporation should have reported progress of railway projects to LegCo in a more transparent, comprehensive and timely manner with a view to keeping LegCo Members informed of the latest status and progress of railway construction.

8.8 The Government should also communicate with the public in a more transparent manner in order to address any possible public concern at the earliest opportunity.<sup>181</sup>

8.9 The Select Committee notes that THB has strengthened its reporting to Railways Subcommittee on the latest progress of the Project. Since the fourth quarter of 2014, THB has been providing reports to Railways Subcommittee on a quarterly basis instead of a half-yearly basis on the progress and the financial situation of the Project. In addition, the quarterly reports were also appended with the Corporation's progress

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<sup>181</sup> Members voted on Ms Claudia MO's proposal to amend this paragraph. Ms Claudia MO, Mr Gary FAN Kwok-wai and Mr CHAN Han-pan voted in favour of the proposal. Mr Tony TSE Wai-chuen, Mr CHAN Kam-lam and Mr Frankie YICK Chi-ming voted against the proposal. As the votes were equally divided, the Chairman exercised his casting vote in the negative according to paragraph 8 of the Practice and Procedure of the Select Committee. The proposal was defeated (please refer to paragraphs 73 to 75 of the Minutes of Proceedings of the meeting held on 14 June 2016 in this Report).

report on the Project. The Select Committee recommends that the Government should adopt this reporting arrangement in other railway projects to better facilitate LegCo in fulfilling its role and function.

**Recommendation 4: To emphasize the spirit of cooperation and trust between the contracting parties in the Government work contracts**

8.10 The Select Committee notes that, as required by EA2, the Corporation should have provided all the necessary information relating to the Project to the Government such as the financial situation and expenditure forecast. However, the Select Committee observes that both HyD and Jacobs encountered difficulties in obtaining information from the Corporation, despite requests. For example, the Corporation did not provide an accurate picture to Project Supervision Committee of the prognosis for the Project as a whole. Jacobs also had difficulty in obtaining first-hand information and some of the documents in a timely manner. (paragraphs 4.59 and 6.30 (iii))

8.11 In this respect, the Select Committee agrees with Mr WAI Chi-sing, the former Director of Highways, that a lack of cooperation and trust amongst the stakeholders might have led to the project delay. The Select Committee recommends that the spirit of cooperation and the level of trust between the contracting parties should be emphasized in Government contracts in future. (paragraph 3.61)

**Recommendation 5: To recruit professionals/experts and train professionals within the Government**

8.12 The Select Committee is of the opinion that the lack of practical experience in implementing railway projects within the Government might have affected the confidence of HyD/RDO staff in fulfilling the Government's monitoring role over the work of the Corporation. The Select Committee recommends that the Government should consider recruiting local and overseas professionals and experts in railway construction to assist the Government in carrying out its monitoring work when implementing railway projects in future. (paragraphs 3.64 and 7.9)

8.13 In view of a dearth of experienced personnel within the Government in railway construction, the Select Committee also

recommends that the Government should consider training professionals within the Government by way of secondment or "revolving door" arrangements to attract talent and gain experience and knowledge within the Government, with a view to enhancing the Government's capacity in monitoring railway projects.

**Recommendation 6: To ensure a steady supply of manpower throughout the implementation of future railway projects**

8.14 As observed in paragraphs 5.83 and 7.28 of this report, labour shortage has contributed to the delay in the Project.

8.15 The Select Committee recommends that the Government should seek to undertake railway and other major public work projects in an even and orderly spread and avoid rolling out major projects within a short span of time. The Government should have better coordination in future to ensure that the labour supply in the construction industry in Hong Kong corresponds largely with the labour demand for major public work projects while keeping a close watch on the demand in the private sector.

8.16 The Select Committee also recommends that in implementing new railway projects in future, the Government should have careful and thorough consideration of manpower resources required for delivery of projects, in particular the maintenance of an adequate supply of core skilled and experienced workforce and frontline supervisors. The Government should also introduce effective measures to ensure a continuous and steady supply of labour throughout construction projects in both public and private sectors. (paragraph 5.84)