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8 June 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 further information

Thank you for your letter dated 4 May 2015 to me on the captioned subject. Your letter requested the provision of certain information by me and the Transport and Housing Bureau (“THB”).

In the Appendix of your letter dated 4 May 2015, the Select Committee requested the following four items of information (“the Four Items”), i.e.-

- “(a) [i]n respect of paragraph 8 of the Written Statement of Mr YAU Shing-mu formally produced at the hearing on 28 April 2015 (“the Written Statement”) which mentions that for special issues related to the Hong Kong section (“HKS”) of Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”) project which require immediate attention and/or prompt response, urgent meetings among the Transport and Housing Bureau (“THB”), Highways Department (“HyD”) and MTR Corporation Limited (“the Corporation”) would be lined up to discuss the issues, the number, dates, contents, conclusions and follow-up actions of

all those urgent meetings held between January 2010 and April 2014;

- (b) in respect of paragraph 12 of the Written Statement which mentions that, from time to time, HyD and/or the Corporation are requested to provide briefings to THB on major issues related to the HKS of XRL project, and that THB would also make enquiry with HyD on issues of concerns, the details, including the number and dates, of the requests and enquiries for information made by THB, of its own motion, to HyD and the Corporation respectively from the signing of the Entrustment Agreement in January 2010 to April 2014;
- (c) in respect of paragraph 12 of the Written Statement which mentions that where necessary, the Director of Highways also reports to the Secretary for Transport and Housing any significant issue relating to the implementation of the XRL, the number, dates and relevant contents of the significant issues reported by Director of Highways to the Secretary for Transport and Housing; and
- (d) in respect of paragraph 16 of the Written Statement which mentions that for special issues which require immediate attention and/or prompt response, the subject team at THB would draw the attention of THB seniors to such issues, the number, dates, contents, conclusions and follow-up actions of those issues.”

The Four Items above concern meetings, briefings and/or reporting by the subject team of THB, the Highways Department (“HyD”) and/or MTR Corporation Limited (“MTRCL”) relating to the implementation of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”). The Select Committee may wish to note that these events and incidents are often interrelated, and as such may come under more than one of the Four Items. Therefore, for better presentation and to avoid repetition, a list of examples of such events and incidents is compiled at **Annex**. The Select Committee may further wish to note that since, during the period in question, communication among THB, HyD and MTRCL were numerous, it would not be practicable to list out, exhaustively, all events and incidents under the Four Items.

On Item (c), I understand that the Director of Highways (“DHy”) has also responded to the Select Committee (vide his letter of 10 April 2015 (SC Ref. No.: G7)) and provided information on the significant issues regarding the implementation of the

XRL.

Disclosure of information

We note from your letter of 4 May 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 in its inquiry into the delay of the XRL project.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S M Yau', written in a cursive style.

(S M Yau)

Under Secretary for Transport and Housing

c.c.

Director of Highways

**Examples of meetings, briefings and/or reporting
by the subject team of THB, HyD and/or MTRCL
relating to the implementation of the XRL**

No.	Example	Item(s)*
1.	In November 2012, HyD met with relevant Mainland authorities with focus on the lack of progress of the two Tunnel Boring Machines (“TBM”s) heading for Shenzhen-Hong Kong boundary. MTRCL and the owner of the Mainland section of XRL (the business counterpart of MTRCL) were requested by HyD to submit quarterly reports on progress of cross-boundary tunnelling works. From March 2013 to October 2013, three reports were submitted to THB for reference (see Event no. 3 and 5 below).	(c)
2.	On 7 May 2013, there was a media report claiming that the XRL project would be delayed by a year with significant cost overrun (“西九總站設計出事 嚴重超支 高鐵延誤一年”). Amongst other things, the report claimed that the major delay lay with the construction of the West Kowloon Terminus (“WKT”), which would result in a delay of at least one year and cost overrun up to \$4.4 billion. According to information provided by MTRCL, the Government replied on the same day (7 May 2013) to the media that the target completion date of the XRL remained as 2015. Taking note of the growing concern with the matter, THB and HyD requested MTRCL to review the latest position and get ready to brief the Legislative Council Panel on Transport Subcommittee on Matters Relating to Railways at its next meeting on 24 May 2013. On 23 May 2013, a meeting was held among THB, HyD and MTRCL to further review the latest position of the project. THB submitted a paper (LC Paper No. CB(1)1072/12-13(03)) to the RSC on the basis of assurances the Government received from MTRCL.	(a), (b), (c)
3.	In July 2013, the second quarterly report on the construction progress of the cross-boundary tunnel section compiled by MTRCL and the owner of the Mainland section of XRL was submitted through HyD to THB. The subject team of THB submitted the report to the Secretary for Transport and Housing (“STH”) for sight. STH advised HyD and MTRCL to continue liaison with the Mainland partner to devise measures to mitigate the delay.	(c), (d)

4.	As requested by THB and arranged by HyD, HyD and MTRCL briefed THB on 23 July 2013 on the overall progress of the XRL and the cross-boundary section. According to MTRCL, it was forecast that the cross-boundary tunnel civil works would be completed in March 2015; testing of the XRL across the boundary would commence in July 2015; and the target date for commissioning would be December 2015. The Government reminded MTRCL to make its best endeavours to deliver the project on time and within budget.	(b), (c)
5.	Based on the third quarterly report on the construction progress of the cross-boundary XRL tunnel section, the subject team in THB reported on 22 October 2013 to STH and the Permanent Secretary for Transport and Housing (Transport) (“PS(T)”) that the cross-boundary tunnelling works continued to encounter delay. If the delay could not be mitigated, testing and commissioning of the XRL could only start in October 2015, thus impacting on the overall commissioning date for the XRL. The subject team also reported that MTRCL had recently proposed to HyD a target of partial opening of XRL (putting into service six tracks by end-2015) and the commissioning of four more tracks in mid-2016. This was based on the latest progress of works, taking into account all delay recovery measures being implemented in various contracts. WKT and the cross-boundary tunnel section were on the critical path of the XRL project and any further delays at either of these might affect the target commissioning date of the XRL. Mitigation measures such as re-sequencing of works and phased access of E&M installation works were under consideration. Based on the latest financial situation and the status of contract claims, it was considered that the expenditure of the project could be kept within the approved project estimate. THB was very concerned that the XRL could not commence service in 2015 and requested MTRCL and HyD to provide a detailed briefing on the latest progress of the project (see Event no. 6).	(b), (d)
6.	As requested by THB, HyD (represented by DHy) and MTRCL (represented by the then Projects Director) provided on 8 November 2013 a detailed briefing to THB to report on the latest progress of the XRL project. MTRCL presented the progress of the works of the XRL, including WKT and Contract 826 tunnelling works. At the meeting, MTRCL stated that WKT could be ready for operation on a partial opening basis (“the partial opening scenario”) by December 2015. MTRCL explained that by “partial opening”, it meant that six out of the	(a), (b), (c)

	<p>15 tracks and the essential railway facilities should be ready to provide passenger service. They explained that even with only six tracks in this interim period, it would be sufficient to meet early year demand. As for Contract 826 tunnelling works, they could only be completed by October 2015 and the testing of the XRL (which would normally take three months) could only commence from October 2015. As it would take another three months to conduct trial runs, the target opening date of end-2015 might be affected. THB considered that it was necessary for Government departments, including, for example, HyD and the Transport Department (“TD”), to examine the feasibility of the proposal, THB did not confirm with MTRCL whether the partial opening scenario was acceptable to the Government or not. THB further queried whether and how the partial opening scenario would have helped, given that the slow progress of the tunnelling works remained a main hurdle. It was pointed out to MTRCL that if the testing of the XRL could only commence from October 2015, it would be unlikely that the XRL could start operation by end-2015. If that was the case, the public should be informed as soon as possible. As the XRL might not be able to commence operation in 2015, THB subsequently arranged DHy to report to STH (see Event no. 7).</p>	
7.	<p>The subject team of THB arranged a briefing on 20 November 2013 by HyD for STH, essentially using the information provided by MTRCL on 8 November 2013. Based on the assessment of works progress, THB contemplated making it public at the RSC meeting scheduled for 22 November 2013 that the XRL might only commence operation after 2015 and explaining the latest construction progress and the actual challenges encountered.</p>	(b), (c), (d)
8.	<p>As directed by STH, an urgent meeting was held amongst THB (led by PS(T)), HyD and MTRCL (led by the then Chief Executive Officer (“CEO”)) in the evening of 21 November 2013.</p> <p>The key points of discussion at the meeting have been set out in detail in the Written Statement of mine (SC(4)(XRL) Paper No.: W4(C)), the written statement from Mr Joseph Y T Lai, PS(T) (SC(4)(XRL) Paper No.: W7(C)), and the Annex to the Administration’s response to the RSC dated 15 May 2014 (LC Paper No.: CB(1)1422/13-14(04)).</p>	(a)
9.	<p>In the weekend of 12 and 13 April 2014, the then CEO and the Chairman of MTRCL, respectively, called STH urgently informing STH that the completion date of 2015 could not be met. The then CEO of MTRCL</p>	(a)

	<p>said that construction works of the XRL could only be completed by end-2016 and that service could only be commissioned in 2017. More details had yet to be ascertained.</p> <p>On 14 April 2014, an urgent meeting was held at THB attended by, amongst others, the Chairman, the then CEO and the then Projects Director of MTRCL to review the latest situation. At the meeting, it was agreed that THB (STH himself) and MTRCL should come out on the following day to inform the public, and to make a report to the RSC at the meeting originally scheduled for 2 May 2014 to explain the situation.</p>	
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* This corresponds to the Four Items set out in paragraph 2 of the reply letter, or at the Appendix of the Select Committee's letter of 4 May 2015.