

Legislative Council Panel on Transport**2016 Policy Agenda****Transport-related Policy Initiatives of
the Transport and Housing Bureau****Introduction**

The 2016 Policy Address and Policy Agenda set out the Government's initiatives in the coming year. This paper elaborates on those initiatives that are relevant to the land transport portfolio.

2016 Policy Agenda – New initiatives***Chapter 2 - Land, Housing and Transportation*****(a) Strategic Studies on Railways and Major Roads beyond 2030**

2. For planning of Hong Kong in the longer term, the Government has commenced the study “Hong Kong 2030+: Towards A Planning Vision and Strategy Transcending 2030”. Based on the findings from the above study, the Transport and Housing Bureau, together with the relevant departments, will commence strategic studies on railways and major roads beyond 2030, which include exploring the transport infrastructure required for the developments at Lantau, Northwest New Territories and North New Territories, with a view to preliminarily formulate the layout of infrastructure and propose implementation timetable for the infrastructure

according to the changes in distribution of population and employment. Thus, the planning of major transport infrastructure can cope with the needs arising from the overall long-term land development of Hong Kong and bring the greatest benefits to Hong Kong.

(b) Transport Infrastructure

3. The Central Kowloon Route (“CKR”) will link Yau Ma Tei Interchange in West Kowloon with the Kowloon Bay and Kai Tak Development in East Kowloon. It is anticipated that the commissioning of CKR will reduce the traffic volumes along the major east-west corridors in Kowloon, thus relieving the existing traffic congestion problem and coping with future traffic needs. We are actively planning the implementation of the CKR project for its early implementation. The CKR project takes approximately over 7 years; and upon its commissioning, the journey time between West Kowloon and Kowloon Bay via CKR would take around 5 minutes in busy hours, resulting in a saving of about 25 minutes when compared to the journey time without CKR now.

4. At the same time, to provide another external road link to meet the long-term traffic demand of Tseung Kwan O (“TKO”) and to alleviate the current traffic congestion of the TKO Tunnel, we are planning for the construction of the Tseung Kwan O – Lam Tin Tunnel (“TKO-LTT”), which will connect TKO and East Kowloon. We will strive to seek funding approval for the construction of the TKO-LTT in this legislative

session with a view to commencing the construction works in 2016 for completion in 2021.

(c) Public Transport Strategy Study

5. Since late 2014, the Government has progressively rolled out the two parts of the Public Transport Strategy Study (“PTSS”), namely the Role and Positioning Review (“RPR”) and Topical Study, to conduct a systemic review of the roles and positioning of public transport services other than heavy rail and study some important topical issues that are of concern of the public transport trades. The aim is to enhance the existing strategic arrangements of our public transport services in tandem with the further development of the heavy rail network so as to ensure the long-term, balanced, efficient, multi-model and sustainable development of public transport services.

6. In view of the public views towards taxi and public light bus (“PLB”) services, we have accorded priority to the reviews of these two services under the RPR. The key areas of study are the feasibility of introducing premium taxis and increasing the seating capacity of PLBs. We plan to report the progress of the two reviews to this Panel by mid-2016 and strive to complete them by the third quarter of 2016. The drafting of legislation will commence afterwards. Moreover, since March 2015, we have reported to this Panel the result of six Topical Studies, including the service level of franchised bus service, school bus service, seating capacity of PLBs, supply of taxis, taxi fuel surcharge and statutory

cap on the PLBs. The results of the remaining two studies (i.e. review of ferry service and how to enhance the provision of accessible transport facilities for people with disabilities) will be reported within 2015-16 Legislative Year. The whole PTSS is expected to be completed by mid-2017. During the course of the study, we will canvass views of the stakeholders, including the public and public transport trades. Upon completion of the PTSS, we will submit a consolidated report. While hire car is not public transport service, in response to community's need, we are studying in parallel ways to improve the assessment criteria for issuing hire car permits and its regulation (including measures to facilitate new market entrants) without affecting hire car's current position in the transport hierarchy and the existing regulatory regime.

(d) Improving Ancillary Facilities for Public Transport

7. The Government has been pursuing a public transport-oriented policy. Every day, some 12 million passenger trips (over 90% of the total passenger trips) are made through the public transport system in Hong Kong. Of these, around 4 million passenger trips are made by franchised buses. The provision of more comprehensive ancillary facilities that can keep up with the times so that passengers can enjoy a convenient and comfortable waiting environment will be an important aspect of further service enhancement. In this regard, for the convenience of passengers, especially the elderly and those in need, the Government has earmarked \$88.27 million to subsidise franchised bus companies in expediting the installation of seats and real-time arrival information display panels at bus stops.

8. At present, seats have already been provided at some 140 sheltered bus stops. To speed up the progress of seat installation, the Government will provide subsidy to franchised bus companies for them to install seats at sheltered bus stops¹ without seats. Seats will be installed at around 1 500 bus stops in the first phase of around three years and at remaining bus stops thereafter (see paragraph 10 below).

9. Separately, all franchised bus companies are gradually rolling out their real-time arrival information systems. All routes will be covered within the next few years so that passengers can know their waiting time and plan their journeys better. In addition to websites and mobile phone applications, individual franchised bus companies have been providing real-time arrival information on display panels installed at some sheltered bus stops with electrical installations². This has generally been well-received by passengers. As the installation of display panels involves considerable capital and recurrent expenditure and may exert pressure on bus fare, the Government will provide subsidy to franchised bus companies for their installation of real-time arrival information display panels at sheltered bus stops with electrical installation on a matching basis³. We expect that the installation of 550 display panels can be completed within the first phase of around three years. Half of these

¹ Currently, there are a total of around 3 000 bus termini, en route stops and bus interchanges with shelters in Hong Kong.

² Currently, there are a total of around 1 300 bus termini, en route stops and bus interchanges with shelters and electrical installations in Hong Kong.

³ This means that for every display panel (inclusive of protective case and data receiver) which a franchised bus company has committed to install, the Government will provide funding for the installation of another display panel.

panels (i.e. 275 in number) are to be funded by the bus companies and the other half (i.e. 275 in number) through Government subsidy. Thereafter, the franchised bus companies shall make annual proposals to the Government as to the number and locations of remaining bus stops to be provided with display panels. The Government will provide subsidy for the installation of additional display panels on the same matching basis. The exact number of display panels to be installed on a matching basis will depend on the number of new display panels to be installed by the franchised bus companies. The Government has earmarked funds to subsidise the installation of around 500 display panels on top of that required for installing the aforesaid 275 panels.

10. In planning for installing seats and real-time arrival information display panels, franchised bus companies will consider various factors which include the actual physical constraints of individual locations, whether a bus stop is mainly used for boarding instead of alighting, number of waiting passengers, as well as whether there is any plan to relocate or cancel the bus stop concerned within the next few years, etc. The subsidy by the Government will only cover the capital cost (and associated installation cost) of installing the seats and display panels. The additional non-recurrent commitment so involved will be reflected in the Estimates of the Transport Department (“TD”) for the relevant financial years. The expenditure arising from the daily maintenance and repair of these facilities as well as data transmission (if applicable) will be absorbed by the franchised bus companies. TD expects to start accepting applications for subsidy from franchised bus companies from mid-2016 onwards.

(e) Alleviating Road Traffic Congestion

11. The Government agrees in-principle with the 12 measures recommended by the Transport Advisory Committee (“TAC”) in December 2014 to alleviate road traffic congestion and will take them forward in phases having regard to stakeholders’ views, feasibility of available options and overseas experience, etc. In particular, we commenced a three-month public engagement exercise for the Electronic Road Pricing Pilot Scheme in Central and its adjacent areas last month, after which an in-depth feasibility study will be conducted to develop the details. We have also proposed to raise the fixed penalty charges for congestion-related traffic offences in tandem with inflation to restore their deterrent effect. The Police will also suitably strengthen their enforcement against traffic congestion. Besides, we will conduct a parking policy review in the 2016-17 financial year, with priority accorded to considering and meeting the parking need of commercial vehicles. In the light of the review findings, we will examine improvement measures including updating the Hong Kong Planning Standards and Guidelines.

(f) Providing a Comfortable, Convenient and Accessible Pedestrian Environment

12. The Government has been installing barrier-free access facilities at public walkways (i.e. public footbridges, elevated walkways and subways maintained by the Highways Department (“HyD”)), where technically feasible, for years (the “Original Programme”) on the recommendation of

the Equal Opportunities Commission. Apart from continuing to implement the projects under the “Original Programme”, through the “Expanded Programme” of the “Universal Accessibility” Programme in 2012, we have been continuing to enhance the barrier-free access facilities at existing public walkways. We have completed over 20 items under the programme and will continue the implementation of the remaining about 180 items spread over the 18 districts, including the three priority items selected by each District Council earlier. About 80% of these items are expected to complete by 2018 by phases to benefit the public especially the elderly.

13. Furthermore, starting in the fourth quarter of 2016, we plan to invite the 18 District Councils to each select not more than three existing walkways. Walkways available for District Councils’ consideration will no longer be limited to those public walkways maintained by the HyD, subject to fulfilling certain criteria, including (i) the walkways are not privately owned; (ii) they span across public roads maintained by the HyD; (iii) they are open for public access from public roads at all times; and (iv) the parties responsible for the management and maintenance of these walkways have no objection to such retrofitting proposals and are willing to cooperate with the Government during its implementation of the said retrofitting works as well as the subsequent management and maintenance works, in order to ensure proper use of public funds. HyD will take up the subsequent maintenance of the lifts installed.

14. The Government established in 2009 a set of comprehensive, objective and transparent scoring criteria for assessing proposals for hillside escalator links and elevator systems (hereafter referred to as “hillside escalator links”) to determine the priority for conducting preliminary technical feasibility studies for the 20 project proposals received at that time. The Government consulted this Panel on this in May 2009, and upon completion of the assessment, the results were reported to the Panel in February 2010. Two proposals were screened out initially, and 18 others were ranked. The Government indicated at that time that preliminary technical feasibility studies for the proposals ranked top ten would be conducted by batches, and that the remaining proposals would be followed up after the smooth implementation of the top ten proposals.

15. Construction works for two of the 18 ranked proposals have commenced. The proposal ranked first “Pedestrian Link at Tsz Wan Shan” has been included under the Shatin to Central Link (“SCL”) project. Construction works commenced in July 2012 and are scheduled for completion by phases by end 2016 (certain sections of the covered walkways were completed and opened for public use in 2014). The proposal ranked thirteenth “Yuet Wah Street Pedestrian Linkage” is being implemented by the Civil Engineering and Development Department to complement the Kwun Tong Town Centre Redevelopment project. Commenced in April 2013, Construction works were substantially completed and opened for public use in October 2015.

16. We now decide to further take forward three hillside escalator links projects which are at a relatively advanced planning stage, namely the “Lift and Pedestrian Walkway System at Cheung Hang Estate, Tsing Yi”, the “Lift and Pedestrian Walkway System between Kwai Shing Circuit and Hing Shing Road”, and the “Lift and Pedestrian Walkway at Waterloo Hill”, so as to facilitate the elderly and needy to travel in hilly areas. We will seek funding approval for the projects in this legislative session. If funding approval can be obtained, we will carry out the projects progressively from the fourth quarter of 2016.

17. To enhance local pedestrian network, we plan to implement the construction of an elevated walkway and footbridge in Tseung Kwan O and Tsuen Wan respectively, in order to facilitate the public especially the elderly to get around town centre, major public transport facilities and streets. We will seek funding approval for the projects in this legislative session. If funding approval can be obtained, we will carry out the projects in the fourth quarter of 2016.

Chapter 6 - Education, Population and Human Resources

(g) Creating an Age-friendly Community

18. In recent years, there have been requests for providing covers to certain public pedestrian walkways connecting to public transport interchanges and railway stations, so that the public (in particular the elderly) can walk comfortably to and from public transport interchanges and railway stations. To respond to the community’s request, we will

model on the bottom-up approach of the Universal Accessibility Programme by inviting district councils to consult local communities and, based on local needs, nominate one public walkway in each district for provision of covers. The TD and the HyD will offer advice from the traffic and engineering perspectives. Depending on the time needed for local consultation, as well as planning and design procedures, we expect that the works can commence in phases starting from 2018.

19. To facilitate the elderly to cross signalised road junctions, we will examine the application of technologies to identify the need of the elderly and persons with disabilities for lengthening the pedestrian crossing times, such that they will have more time to cross roads.

20. The HKeTransport of the TD provides a one-stop point-to-point public transport route search service for the public to plan their journeys. To facilitate its use by the elderly, we will enhance the website, smartphone application and kiosks of HKeTransport by including a new user interface suitable for the elderly, and providing new functions such as voice recognition input.

(h) Others

21. To raise the quality of local and regional rail services, the MTR Corporation Limited (“MTRCL”) will set up an academy to train personnel in rail management and operation. The Government welcomes the plan as it will further the development of local transport professional services.

Chapter 2 - Land, Housing and Transportation

(i) Developing Local Railway Network

22. In terms of railway infrastructure, we will continue to coordinate and supervise three local railway projects under construction, that are the Kwun Tong Line Extension (“KTE”), South Island Line (East) (“SIL(E)”) and SCL.

23. The KTE is an extension of the Kwun Tong Line from Yau Ma Tei, via Ho Man Tin, to Whampoa. The construction works of KTE commenced in May 2011. According to the agreement signed between the Government and the MTRCL, the target commissioning date for KTE is originally August 2015. MTRCL reported to the Legislative Council (“LegCo”) Subcommittee on Matters Relating to Railways (“RSC”) in early August 2015 that the target to commission KTE would be in the third or fourth quarter of 2016. MTRCL submitted a revised programme to the HyD in October 2015. Given the substantial completion of the structural works of the platform tunnel at Whampoa Station in the third quarter of 2015, the newly revised target commissioning date of MTRCL (i.e. the third or fourth quarter of 2016) would be achievable. The Government will continue to closely monitor the progress of the works, with a view to commissioning the project in the third or fourth quarter of 2016 in accordance with the revised target put forward by the MTRCL.

24. The SIL(E) is a new railway corridor from South to North of Hong Kong Island. It starts from South Horizons on Ap Lei Chau to Admiralty via Lei Tung, Wong Chuk Hang and Ocean Park. The construction works commenced in May 2011. According to the agreement signed between the Government and MTRCL, the target commissioning date of SIL(E) is originally December 2015. MTRCL reported to LegCo RSC in November 2014 that its target was to commission SIL(E) at the end of 2016. MTRCL submitted the revised baseline programme to the HyD in early September 2015 with the target commissioning date at the end of 2016. Although the overall progress of works at different sections has generally matched the targets set in the revised baseline programme for the target commissioning at the end of 2016, the revised works programme shows that the timetable for the remaining works of the Admiralty Station extension is highly compressed. MTRCL has to improve the efficiency of every aspect of the expansion works at Admiralty Station and expedite the remaining works to achieve the revised target of commissioning SIL(E) at the end of 2016. The Government will continue to closely monitor the progress of the works, with a view to commissioning the project in end-2016 in accordance with the revised target put forward by the MTRCL.

25. Upon completion, SCL will form two strategic railway corridors, namely the “East West Corridor” and the “North South Corridor”. The “East West Corridor” will connect the Ma On Shan Line with the West Rail Line, while the “North South Corridor” will extend the existing East Rail Line to Admiralty Station. The construction works of SCL commenced in July 2012. According to the agreement signed between the Government

and the MTRCL, the target commissioning date for the Tai Wai to Hung Hom section of SCL is originally December 2018 while the target commissioning date for the Hung Hom to Admiralty section of SCL is originally December 2020. It is estimated that the Tai Wai to Hung Hom Section of SCL may have a delay of about 11 months arising from the archaeological works, archaeological discoveries and discussion on conservation options for archaeological features at To Kwa Wan Station. HyD will co-ordinate and oversee the construction of SCL so that MTRCL could try to recover some of the delay to the Tai Wai to Hung Hom Section, with a view to commissioning the Tai Wai to Hung Hom Section in 2019 as far as possible. For the Hung Hom to Admiralty Section, the commissioning date will be deferred to 2021 to preserve flexibility for the topside development of a convention centre at Exhibition Station, to cater for the reclamation works under Wan Chai Development Phase II (“WDII”) including the construction of the Central-Wan Chai Bypass tunnel thereof, and the impact due to the large metal object found on the seabed within the reclamation area under WDII. The Government will closely monitor the progress of works and the construction activities. It will also assist MTRCL to resolve problems encountered in the course of construction as early as possible and conduct timely reviews of the commissioning programme taking into account the latest situation of the works.

26. In terms of long-term railway development, we will continue to take forward detailed planning work for the Northern Link (and Kwu Tung Station), the Tuen Mun South Extension and the East Kowloon Line pursuant to the recommendations in the Railway Development Strategy

2014 (“RDS-2014”). The taking forward of individual projects is contingent upon the outcome of detailed engineering, environmental and financial studies relating to each project, as well as updated assessment of passenger transport demand and availability of resources at the time. Prior to the finalisation of any new railway schemes, we will further consult the public on such details as the detailed alignment, locations of stations, mode of implementation, cost estimate, mode of financing and actual implementation window.

27. In addition, in support of Government’s partial lifting of the administrative moratorium of Pok Fu Lam, subject to the actual project for the development and redevelopment of public housing in the Wah Fu area, we shall take forward the implementation of the South Island Line (West) as recommended in the RDS-2014, so as to address the emerging transport demand in the long run and maximize development potential in the vicinities.

(j) Improving Road Traffic and Public Transport

Central-Wan Chai Bypass and Island Eastern Corridor

28. The Central-Wan Chai Bypass and Island Eastern Corridor Link (CWB) project is a large-scale and complex road infrastructure project. It has encountered various difficulties and challenges since construction commenced in 2009 which affected the progress of works. The CWB tunnel structure for a part of the trunk road, which is a major part of the

CWB, has been entrusted by the HyD to be carried out under the WDII project of the Civil Engineering and Development Department (CEDD). The large metal object that was previously found at the seabed of the WDII works site caused suspension of reclamation and associated works in the area. After the reclamation works resumed in early July 2015, the CEDD notified the HyD of the revised site handing over schedule after the recommencement of works. The CEDD estimated that the section concerned of the CWB tunnel could only be completed for handing over to the HyD's contractor for carrying out the subsequent works in mid-2017. As such, the HyD anticipated that the related subsequent works like installing various electrical and mechanical facilities (including a traffic control and surveillance system, a tunnel ventilation system, a lighting system and a fire services system), laying road pavement and carrying out system testing and commissioning could not be completed within the same year. In other words, the CWB could not be commissioned in 2017 as originally scheduled. The HyD and the CEDD together with their consulting engineers and resident site staff will continue to closely monitor the works progress of the CWB project and will duly assess the schedule of works with an aim of commissioning the CWB as early as possible. Upon commissioning of the CWB, it will only take about five minutes to drive from Central to Island Eastern Corridor at North Point. The east-west traffic on Hong Kong Island will become more direct and smoother.

Bus route rationalization

29. The Government and franchised bus companies have pursued bus route rationalisation with greater vigour since 2013. This includes adopting an “Area Approach” to holistically review bus service for Tuen Mun, North District, Sha Tin, Tai Po, Tsing Yi, Yuen Long and Kowloon. Furthermore, subsequent to the opening of the Tuen Mun Road Bus Interchange in 2012/13, the Tsing Sha Highway Bus Interchange has commenced operation since January 2015 to provide passengers with more attractive interchanging route packages and concessions, as well as better facilities (such as real-time arrival information display panels, mobile toilets and free Internet access). Between 2013 and end-September 2015, a total of 29 bus routes with low patronage were cancelled or amalgamated with other routes. Another 242 routes had been truncated or had their frequency reduced. These reorganisation arrangements have resulted in the reduction of more than 3 400 bus trips along major trunk roads in Central, Causeway and Mong Kok per day. This helps relieve traffic congestion and alleviate roadside air pollution. Franchised bus companies have put the resources so saved into better uses by operating 19 new routes and increasing the frequency of 210 routes to better meet the changing demand of passengers. We will continue to press ahead with our rationalisation efforts.

Quality of taxi service

30. In view of recent public concern over the quality of taxi service, TD is helping the taxi trade explore how to enhance existing taxi service within the present regulatory framework to meet passenger demand. This

is in addition to according priority to the study of the introduction of premium taxis under the RPR of PTSS. In this regard, the trade has expanded its fleet (from some 20 taxis in early 2015 to over 70 taxis) to provide taxi service with higher quality through the “hire-as-a-whole” service model⁴. These taxis are all wheelchair accessible. In addition, the trade is preparing to provide hire-as-a-whole service using taxis equipped with larger luggage space and better compartment facilities. Meanwhile, 17 local taxi associations have set up the Hong Kong Taxi Industry Council (referred as “Taxi Industry Council” below) in November 2015. The purpose of doing so is to improve service standard through self-regulation. It is understood that the Taxi Industry Council is preparing to launch a taxi-hailing mobile phone application which can be used by all taxis in Hong Kong. TD will continue to maintain close communication with the trade and help them implement various measures to enhance the quality of taxi service.

(k) Enhancing Monitoring of the MTRCL

31. Railway is the backbone of our public transport. The Government understands that the public have high expectation of MTR service. The Government proactively carries out its duty as the Corporation’s majority shareholder by enhancing the monitoring of the MTRCL and reflecting the common concerns of the community on MTR operations to the Board from time to time. The Government will continue to require MTRCL to strengthen its internal management to provide

⁴ Under the law, taxis shall either charge according to the taximeter or be hired as a whole.

high-quality services and proper delivery of new railway projects, as well as identify early the risks faced by the Corporation in different aspects and carry out necessary reform so as to maintain an overall high standard of corporate governance. Besides, the Government will continue to request MTRCL to provide various fare concessions to cater for the different needs of passengers and to suitably respond to the public's opinions on fare related matters, having regard to the financial viability of the MTRCL as a listed company.

32. Furthermore, in view of the recent challenges and experience in implementing railway projects, we have enhanced the communication with the MTRCL to better understand the progress of the construction works. Based on the detailed construction programme on the critical activities of various railway projects prepared by the MTRCL, we keep close monitoring of the implementation of the various railway projects for timely requesting the MTRCL to implement necessary mitigation measures as early as possible and complete the new railway projects according to the construction programme.

33. Despite that the MTR service has been internationally recognised as having a high standard, and that the number of railway incidents has remained stable in recent years, the Government sees the need to require MTRCL to properly invest in its system maintenance and timely renew its railway assets including trains, as well as enhancing monitoring of the safety and reliability of railway service, in view of the expanding railway network and increase in train frequencies. In this connection, the

Government has increased the manpower of the Electrical and Mechanical Services Department, which is the statutory regulatory authority on railway safety, to enhance safety inspection and supervision.

(I) Improving Pedestrian Environment

34. We will continue to take forward pedestrian environment improvement measures at suitable locations, so as to encourage walking and relying less on mechanised transport for short-distance commuting. We are planning projects to improve the pedestrian environment in several areas with high pedestrian flow in Hong Kong, such as Causeway Bay, Mong Kok and Yuen Long. The projects involve improvement works such as construction of footbridge systems and widening of space for pedestrian activities. This will help create a convenient and comfortable pedestrian environment, thus encouraging the public to walk.

35. In Yuen Long, we have taken forward and completed all nine relatively smaller-in-scale improvement measures, including widening of pedestrian crossings and footpaths at road junctions, etc. For the proposed footbridge extending southward from West Rail Long Ping Station to Kau Yuk Road which is a relatively larger-in-scale improvement measure, investigation and detailed design works commenced in December 2014. We have formulated various design schemes for the proposed footbridge system. Environmental impact assessment study of the works has also commenced. We will strive to take forward the detailed design and

relevant statutory procedures for early implementation of works.

36. As for the proposed footbridge system in Mong Kok, we commenced further investigation studies in October 2013. The scope covers assessment of the anticipated usage of the proposed footbridge system, impacts to the traffic, environment and underground utilities during its construction and operation stages, etc. The studies are anticipated to be completed in 2016. After completing the studies, we will consult the Yau Ma Tei District Council and other stakeholders about the concerned works when appropriate.

37. As regards the scheme in Causeway Bay, the 2014 Policy Address announced a pilot study on underground space development in selected strategic urban areas including Causeway Bay and Happy Valley; the relevant work falls under the Development Bureau. As the proposed subway system in Causeway Bay is geographically covered in the pilot study, we would review the need for the proposed subway system as well as its implementation plan and timetable after taking into account the results of the pilot study.

38. We will continue to foster a “bicycle friendly” environment in new towns and new development areas through improving the connectivity of existing cycle tracks, providing more bicycle parking facilities, and enhancing publicity and education on cycling safety. We are conducting a consultancy study in this regard and will implement the enhancement measures proposed under the consultancy study in phases.

(m) Enhancing External Transport Links

Hong Kong-Zhuhai-Macao Bridge

39. The Hong Kong – Zhuhai – Macao Bridge (“HZMB”) is a huge and complicated project. There are many technical challenges during both the design and construction stages. In accordance with the latest situation of the HZMB Main Bridge and the related projects of the three sides, the three governments and the HZMB Authority (which is responsible for the works of the HZMB Main Bridge) further compiled and assessed the works programme, with the conclusion in end 2015 that it would not be feasible for the HZMB project (including the Main Bridge project) to be completed for commissioning in 2016. A final assessment on the consolidated revised target commissioning date of the entire HZMB project will be conducted for reporting to the Central Government. As for the HZMB local projects in Hong Kong, in the face of construction difficulties and challenges such as the unstable supply of materials, shortage of labour, restriction in airport height, constraints in environmental protection requirement and the slower-than-expected consolidation performance of reclamation works, etc., HyD assessed that the completion date of the Hong Kong Boundary Crossing Facilities and the Hong Kong Link Road projects will be deferred to end 2017.

40. To prepare for the commissioning of the HZMB, the three governments are actively studying and discussing the relevant

cross-boundary transport arrangements. The scope of the policy studies covers regulation and quota system of cross-boundary vehicles, toll level for cross-boundary vehicles, traffic management, operation and maintenance, rescue and emergency plan, enforcement coordination, customs clearance facilitation, etc. We will have regard to the functions and characteristics of the HZMB to put in place transport arrangements which will complement the local road system and bring HZMB's benefits for the economy and transport into full play. TD is also planning the public transport services between the HKBCF and various other districts in Hong Kong. The Government will report to this Panel in February 2016 on the latest development of the discussions with Guangdong and Macao Governments in respect of the transport arrangements for HZMB.

41. As for the Tuen Mun-Chek Lap Kok Link (“TM-CLKL”), it is approximately 9km long consisting of the Southern Connection and the Northern Connection. The completion date of the Southern Connection will tie in with that of the HZMB Main Bridge whilst the Northern Connection is targeted for completion in 2018. As the project is massive and complicated, and it involves subsea tunnel boring works, it is unavoidable that various challenges and risks will inevitably be encountered. HyD will closely monitor the progress of the project and will endeavor to overcome its technical difficulties.

Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”)

42. The Government entrusted the construction and commissioning of XRL project to MTRCL. Construction works commenced in January 2010 and were originally scheduled for commissioning in end-2015. However, in April 2014, MTRCL announced that the project would be delayed and the original budget would be exceeded. On 30 June 2015, MTRCL notified the Government of its latest review results regarding the revised Programme to Complete (“PTC”) and revised Cost to Complete (“CTC”). The commissioning target of the XRL would have to be delayed further to the third quarter of 2018, which includes a six-month contingency period. As regards the CTC, the MTRCL advised that the amount would be revised to \$85.3 billion, including a sum of \$2.1 billion contingency. With the assistance of its Monitoring and Verification Consultant, the HyD completed its assessment on MTRCL’s latest revised PTC and revised CTC for the XRL. On 30 November 2015, the Government and the MTRCL announced that we had agreed to adjust the PTC to the third quarter of 2018, including a six-month contingency period, and to revise the CTC to \$84.42 billion, i.e. \$0.88 billion less than what the Corporation earlier proposed. MTRCL was also requested to pay for any further cost overrun exceeding the revised CTC.

43. That the Government and the MTRCL has agreed to the revised PTC and CTC does not mean that the Government is satisfied with the Corporation's performance as project manager. The Government reserves all the rights to pursue the warranties and obligations from the Corporation. While the possibility of taking legal means such as arbitration cannot be ruled out, the two sides have, in view of the extremely tight works schedule,

agreed to initiate such action only after the rail project's commissioning in 2018. The Government will seek approval of additional funding by the LegCo according to established procedures. We obtained the support of the LegCo RSC in December 2015 to submit the funding proposal to the Public Works Subcommittee for examination. We hope to secure the Finance Committee's approval by end of February this year.

Transport and Housing Bureau

January 2016