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Panel on Transport

Subcommittee on Matters Relating to Railways
Meeting on 4 December 2015

Updated background brief on the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link

Purpose

This paper provides updated background information on the construction of the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL"). It also summarizes the major views and concerns expressed by members of the Subcommittee on Matters Relating to Railways ("the Subcommittee") during previous discussions on this subject.

Background

2. XRL is an express rail of a total length of about 140 km linking up Hong Kong with Guangzhou via Futian and Longhua in Shenzhen and Humen in Dongguan. Its terminus in Guangzhou will be located at Shibi, the centre of the Guangzhou-Foshan metropolitan area. The Mainland section of XRL will start from Shibi and enter Hong Kong via Huanggang.

3. HKS is approximately 26 km long, which will be an underground railway running from the boundary at Huanggang to West Kowloon Terminus ("WKT") located at the north of the West Kowloon Cultural District, and between the Airport Express Kowloon Station and the West Rail Austin Station. The alignment plan and the chronology of major developments of HKS of XRL are in **Appendices I** and **II** respectively.

Funding arrangement

4. On 22 April 2008, the Executive Council ("ExCo") decided that HKS of XRL would be undertaken under the concession approach. Under this approach, the construction of HKS of XRL would be funded by the Administration under the Public Works Programme. In July 2008, the Finance Committee ("FC") of the Legislative Council ("LegCo") approved a sum of \$2,782.6 million in money-of-the-day ("MOD") prices for the design and site investigation of the project, which had been entrusted to the MTR Corporation Limited ("MTRCL") for implementation. On 20 October 2009, ExCo decided that MTRCL should be asked to proceed with the construction, testing and commissioning of HKS of XRL under the concession approach.

5. On 16 January 2010, FC approved the following funding applications –

- (a) the construction of the railway works (at an estimated cost of \$55 billion in MOD prices) and its breakdown is in **Appendix III**;
- (b) the construction of the non-railway works (at an estimated cost of \$11.8 billion in MOD prices) and its breakdown is in **Appendix IV**; and
- (c) special ex-gratia payments in relation to HKS of XRL (at an estimated cost of \$86 million).

6. The Administration entered into an entrustment agreement with MTRCL on 26 January 2010 for the construction and commissioning of HKS of XRL project. The construction works for HKS of XRL started in end January 2010. The project scopes of the construction of the railway works for HKS of XRL and non-railway works for the project are attached in **Appendices V and VI respectively**.

Monitoring mechanism

7. Under the abovementioned entrustment agreement, MTRCL is responsible for the overall management of the project. In doing so, the Administration has advised that MTRCL has to comply with its own management systems and procedures. MTRCL also has the obligation to provide any information concerning any matters relating to XRL project as requested by the Administration. The Administration has indicated that it would spare no effort in monitoring the works of MTRCL to ensure that the

implementation of the project is within the approved project estimate, of good quality and on schedule.¹

8. On 16 April 2010, the Administration provided a paper¹ to the Subcommittee setting out the Administration's monitoring mechanism on the construction of HKS of XRL. A flowchart and details of the monitoring mechanism are in **Appendix VII**.

Delay of HKS of XRL project

9. On 15 April 2014, the Administration and MTRCL announced that it would be impossible to complete the construction of HKS of XRL by the original target of 2015 due to inclement weather and difficult geological conditions. According to MTRCL, based on the latest assessment of the progress of the works, the completion date of the construction of HKS of XRL would be postponed to 2016, and with the time required for testing and trial runs to ensure safe operations, the opening of the line for service would be in 2017. The matter has aroused wide public concern.

Setup of Independent Board Committee ("IBC") by MTRCL

10. An IBC was set up by MTRCL to review the managerial approach of HKS of XRL project comprehensively. IBC released its first report² on 16 July 2014 recommending enhancements to MTRCL's systems and processes. The second report³ was published on 28 October 2014 which comprises IBC's findings and conclusions in relation to various matters, such as MTRCL's XRL project management as well as recommendations for consideration by MTRCL Board.

Setup of Independent Expert Panel ("IEP") by the Administration

11. The Administration also set up an IEP to review the project management, monitoring mechanism and other matters relating to the delay of HKS of XRL project. IEP submitted the report to the Chief Executive on 15 December 2014 and the report⁴ was made available to the public on 30 January 2015.

¹ Source: The Administration's paper on "Government's monitoring and reporting on the construction of the Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link" [LC Paper No.: CB(1)1573/09-10(04)] issued in April 2010

² Hyperlink of the first report: http://www.expressrailink.hk/pdf/en/report/20140716_xrl_report_eng.pdf

³ Hyperlink of the second report: http://www.mtr.com.hk/archive/cr_report/xrl_2014_10_e.pdf

⁴ Hyperlink of the report: <http://www.gov.hk/en/theme/iep-xrl/>

Setup of a select committee in LegCo

12. At the Council meeting of 25 June 2014, Hon WU Chi-wai and Hon Charles Peter MOK presented a petition in connection with the delay of HKS of XRL project. The request of Hon Charles Peter MOK for the petition to be referred to a select committee was supported by 21 Members who rose in their places. The petition has thus been referred to a select committee under Rule 20(6) of the Rules of Procedure. The 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 commenced its work in December 2014.

Reporting on progress and finance of HKS of XRL project

13. Since July 2010, the Transport and Housing Bureau had submitted a total of seven regular half-yearly progress reports, covering the period up to 30 June 2013.

14. In view of the announcement of MTRCL on 15 April 2014 that the opening of HKS of XRL for service would be delayed to 2017, the Administration submitted a paper⁵ in May 2014 to the Subcommittee on the latest position of the construction progress of HKS of XRL as at end March 2014. In November 2014, the Administration submitted another half-yearly report on the major works progress, indicators and financial situation of HKS of XRL project for the period between 1 April and 30 September 2014.

15. To enhance the reporting to LegCo on the progress update and financial situation of the construction of the project, the Administration has been submitting quarterly reports to the Subcommittee instead of at a six-month interval. The latest quarterly report covered the period ending 30 June 2015.

⁵ Source: The Administration's paper on "Latest position of the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link" [LC Paper No. CB(1)1328/13-14(03)] issued in May 2014

Latest position on programme to complete and cost to complete of HKS of XRL project

Revised programme to complete ("PTC") and cost to complete ("CTC") of HKS of XRL project submitted by MTRCL

16. MTRCL submitted a revised PTC and CTC for HKS of XRL project to the Administration on 30 June 2015⁶. According to MTRCL's latest assessment, the commissioning of HKS of XRL would have to be delayed further from the end of 2017 to the third quarter of 2018 (including a six-month contingency period). As regards CTC, the amount would have to be revised to \$85.3 billion (including a revised total project cost of \$83.2 billion and \$2.1 billion for contingency). The latest CTC of \$85.3 billion is 31.2% more than the entrustment fee of \$65 billion, and 19.3% more than MTRCL's revised CTC of \$71.5 billion announced in August 2014⁷.

17. MTRCL advised that the major causes of project delay include unforeseen site conditions, issues relating to tunnel boring machines, fast-tracked front end and design variations and lower than anticipated production rates and labour shortage. A six-month contingency period would be needed to account for known risks and uncertainties. As for CTC, the higher cost was due to factors including programme extension, additional costs relating to changes in work scope or methodologies resulted from unforeseen events and additional project costs particularly labour and material costs.

18. According to the Administration⁸, as of the end of June 2015, the overall progress of HKS of XRL project was 71.3%, indicating a delay of 5.8% when compared to the planned progress of 77.1%.

The Administration's initial response to the revised PTC and CTC of HKS of XRL project

19. The Subcommittee held a meeting on 3 July 2015 with the Administration and MTRCL regarding the revised PTC and CTC, as well as the latest progress of HKS of XRL project. The Administration expressed grave concern about the further delay and cost overrun of HKS of XRL project⁹. The Administration was of the view that MTRCL, being the entrusted project manager of HKS of the XRL project, should bear the

⁶ LC Paper No. CB(4)1228/14-15(01)

⁷ MTRCL announced in August 2014 that CTC for HKS of XRL project would be \$71.52 billion. The estimate was based on PTC under which XRL would be commissioned by the end of 2017.

⁸ LC Paper No. CB(4)1412/14-15(02)

⁹ LC Paper No. CB(4)1273/14-15(01)

greatest responsibility and duty to control project costs and manage risks. The Highways Department ("HyD") considered that MTRCL's revised PTC and CTC failed to give an account and justification for:

- (a) liability issues on the programme delay, cost overrun and contractors' claims in accordance with the contracts;
- (b) details of the contingency of \$2.1 billion, and the risks, the uncertainties and the unclear factors this amount was to account for;
- (c) risks, the uncertainties and the unclear factors the six-month contingency period was to account for; and
- (d) persistent delay in project completion and MTRCL's endeavors to implement the project in accordance with the entrustment agreement and to protect the interests of the Government as the entrusted party of the project.

20. The Administration advised that HyD and its monitoring and verification consultant ("M&V consultant") would critically scrutinize MTRCL's revised PTC and CTC, and would not accept any revised project completion date and cost estimate without substantiation. The Administration would assess MTRCL's obligations regarding project implementation, works delay and cost overrun, and would reserve all the rights to pursue the warranties and obligations from MTRCL.

Major concerns raised by Subcommittee members

Commission date of HKS of XRL project

21. Members have expressed grave concern about the delay of HKS of XRL project. In May 2014, when the Subcommittee was briefed that the construction of HKS of XRL would not be completed by the original target of 2015, members pressed questions on whether MTRCL and public officers had deliberately concealed the facts and provided false information to LegCo. They also expressed concern about the works progress and enquired whether the revised target of 2017 was achievable.

22. On 3 July 2015, the Subcommittee was briefed that the commissioning of HKS of XRL project had to be further delayed to the third quarter of 2018. Members were gravely concerned about the continuous delay of the project. Some members suggested halting the project or part of the project to avoid further loss of public money. Other

members expressed reservation on halting the project as it would adversely affect the economic development and reputation of Hong Kong. They enquired about the feasibility of partial opening of the railway line for early commissioning of the project.

23. The Administration advised that it would not consider halting the project or partial opening of the railway line. HyD and its M&V consultant would critically scrutinize the revised PTC and CTC of HKS of XRL project submitted by MTRCL. At the current stage, the most important and primary objective was to contain cost and try, with the cooperation and strenuous efforts of MTRCL, to complete the whole project as quickly as possible.

Financial position

24. At the Subcommittee meeting on 3 July 2015, members expressed grave concern over the serious project cost overrun, and enquired about the reasons for significantly reducing the cost estimates of the project from \$98 billion to \$67 billion back in 2009. Some members were worried that as the entrustment fee of \$65 billion would be used up in about a year's time, the project might need to put to halt without additional funding. Other members suggested imposing a cap on the final entrustment fee of the project in order to control cost.

25. The Administration responded that the \$67 billion cost estimates was derived after several rounds of discussions between the Administration and MTRCL, and the amount had been reviewed by third party experts. The Administration pointed out that the return tender prices for the works contracts in 2010 received by MTRCL were lower than MTRCL's original cost estimates. The Administration would enter into concrete discussions with MTRCL to look into various issues, such as placing a cap on the entrustment fee and the revised PTC and CTC of the project, with a view to finding a way to solve the problems arising from project delay and cost overrun.

26. At the request of the Subcommittee, the Administration and MTRCL submitted a breakdown of the revised CTC of \$85.3 billion for members' reference. The information is enclosed in **Appendix VIII**.

Unresolved claims from works contracts and MTRCL's obligations on project cost overrun

27. In the light of the continuous project delay, members were worried about any possible claims from contractors. At the Subcommittee

meeting on 3 July 2015, members enquired whether the revised CTC of \$85.3 billion had included the estimated amount of unresolved claims arising from works contracts. They opined that taxpayers should not pay for the cost of MTRCL's substandard performance in project management.

28. MTRCL responded that the latest revised CTC of the project of \$85.3 billion included a revised total project cost of \$83.2 billion and a contingency amount of \$2.1 billion, which had been compiled using a "bottom up" methodology. Also, it had a clear and robust mechanism in assessing and monitoring contractors' claims. The Administration supplemented that HyD and its M&V consultant would critically scrutinize MTRCL's latest revised PTC and CTC of the project, assess MTRCL's obligations regarding project implementation, works delay and project cost overrun.

29. In reply to members' enquiry on MTRCL's obligations relating to works delay and project cost overrun, and whether the project management cost of \$4.59 billion under the entrustment agreement would be the maximum amount to be claimed against MTRCL, the Administration advised that it was seeking legal advice from the Department of Justice on MTRCL's obligations regarding project implementation, works delay and project cost overrun. It had yet to ascertain whether the amount to be claimed against MTRCL would be capped at \$4.59 billion.

Labour shortage problem

30. Members have expressed concern about the alleged labour shortage problem for HKS of XRL project and urged the relevant bureaux, like the Transport and Housing Bureau and the Labour and Welfare Bureau, to assist MTRCL in solving the labour shortage problem by various means like speeding up the processing of the application for importing of labour under the Supplementary Labour Scheme ("SLS"). In January 2015, the Administration provided supplementary information¹⁰ updating the Subcommittee that there was a shortfall of 1 515 construction workers for HKS of XRL project.

31. At the Subcommittee meeting on 3 July 2015, members enquired whether the revised PTC of HKS of XRL project had taken into account of the risks and uncertainties arising from the shortage of skilled workers, and the number of imported workers required for the completion of the project according to the revised PTC. MTRCL responded that the revised PTC, which included a six-month contingency period, had taken into account the

¹⁰ Source: The Administration's supplementary information paper on the number of construction personnel short for each of the five new railway projects under construction [LC Paper No. CB(4)307/14-15(01)] issued in December 2014

known risks and uncertainties, including shortage of labour supply. Notwithstanding this, MTRCL strived to increase the number of workers under SLS and "first-hire-then-train" project. MTRCL estimated that around 1 000 more construction workers were needed. It was hoped that through expediting the application process of SLS, more workers could be recruited to cope with the labour demand for the project.

Arrangement for co-location of boundary control facilities ("the co-location arrangements")

32. Members have expressed concern about the progress of the implementation of the co-location arrangements at WKT. Members urged the Administration to resolve the relevant legal and constitutional issues as quickly as possible because it was very important for the realization of the intended purpose of HKS of XRL to be a timesaving express railway.

33. The Administration explained that they were actively studying the issues and discussing them with their Mainland counterparts. According to the Administration¹¹, Mr Rimsky YUEN (Secretary for Justice), Professor Anthony CHEUNG Bing-leung (Secretary for Transport and Housing) and other government officials visited Shenzhen and Beijing on 20 May and 21 November 2015 respectively to exchange views with officials of the Hong Kong and Macao Affairs Office of the State Council on the co-location arrangements at HKS of XRL and other matters. It would be of utmost importance to arrange a proper legal framework for the future co-location arrangements, and the aim was to achieve that within the framework of the Basic Law.

34. At the Subcommittee meeting on 3 July 2015, members enquired if the co-location arrangement should be put in place before the commencement of the relevant construction works at WKT. The Administration advised that there was a space designated for the provision of boundary control facilities at WKT. The Administration's discussion with the Mainland counterparts on the implementation of the co-location arrangements would not hinder the works progress of the entire project.

¹¹Source: The Administration's press releases on "Secretary for Justice on co-location arrangements at Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link" and "STH to visit Beijing" issued on 20 May and 18 November 2015 respectively.

Other concerns

35. Members have also expressed the following concerns in previous Subcommittee meetings:

- (a) construction safety of XRL project;
- (b) the signalling system of XRL project, including the procurement and compatibility of the signalling systems for both HKS and the Mainland section of XRL; and
- (c) the assistance available to the affected Choi Yuen Tsuen villagers who had submitted agricultural resite applications

LegCo questions and relevant papers

36. In the Fifth LegCo, Members raised sixteen questions relating to HKS of XRL project, including the works progress, cost overrun, the co-location arrangements and impacts of the construction works on neighbouring areas. The hyperlinks to the above LegCo questions and other relevant papers are in **Appendices IX** and **X** respectively.

Latest developments

37. The Administration plans to update the Subcommittee on the progress of the construction of HKS of XRL at the meeting to be held on 4 December 2015.



The proposed alignment of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL)

圖例
LEGEND

- + - 特別行政區界
BOUNDARY OF SPECIAL ADMINISTRATIVE REGION
- 現有鐵路路線
EXISTING RAIL LINE
- 擬建廣深港高速鐵路香港段
PROPOSED HONG KONG SECTION OF THE GUANGZHOU-SHENZHEN-HONG KONG EXPRESS RAIL LINK
- - - 擬建廣深港高速鐵路內地段
PROPOSED MAINLAND SECTION OF THE GUANGZHOU-SHENZHEN-HONG KONG EXPRESS RAIL LINK
- 通風大樓
VENTILATION BUILDING (VB)
- 大江埔緊急救援入口
TAI KONG PD EMERGENCY ASSESS POINT

<p>圖則名稱 drawing title 工務計劃項目第53TR號 廣深港高速鐵路香港段 - 鐵路建造工程 香港段位置圖 PWP ITEM NO. 53TR HONG KONG SECTION OF GUANGZHOU-SHENZHEN-HONG KONG EXPRESS RAIL LINK - CONSTRUCTION OF RAILWAY WORKS LOCATION PLAN OF HONG KONG SECTION</p>	<p>設計 designed K. K. LEI 23/11/09 繪圖 drawn Y. L. MA 23/11/09 核對 checked K. K. LEI 23/11/09 日期 DATE 23/11/09 總工程師 S. H. LAM CHIEF ENGINEER</p>	<p>圖號 drawing no. HRWXRL002-SP0009 版權所有 COPYRIGHT RESERVED 鐵路拓展處 RAILWAY DEVELOPMENT OFFICE 路政署 HIGHWAYS DEPARTMENT</p>
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Chronology of major developments of the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project

- In 2000, XRL project (formerly named Regional Express Line) was first recommended for implementation under the Railway Development Strategy 2000.
- In March 2005, it was agreed XRL would have its termini at West Kowloon of Hong Kong and Shibi of Guangzhou, with intermediate stations at Longhua of Shenzhen, and Humen of Dongguan.
- In July 2005, the Kowloon Canton Railway Corporation recommended two alignment options for HKS of XRL: namely, building a new dedicated rail track from the West Kowloon Terminus to the boundary ("the Dedicated Corridor Option") or sharing the tracks of the Kowloon Southern Link, the West Rail Line ("WRL"), the proposed Northern Link and a new rail track to the boundary ("the Shared Corridor Option").
- In January 2006, having considered the financial aspect, the potential impact on WRL service and the patronage forecast based on the planning assumptions at that time, the Chief Executive-in-Council ("CE-in-Council") decided that HKS of XRL should proceed on the basis of the Shared Corridor Option.
- Subsequently, several planning changes were made to the Mainland's section of XRL bearing significant implications to the choice of corridor option for HKS –
 - possible increase in the long-haul train services;
 - addition of a new XRL station at Futian, Shenzhen connecting to a newly proposed Rapid Transit System rail line; and
 - Ministry of Railway's requirement to deploy wider train cars up to 3.4 m wide for XRL.

As a result, if the Shared Corridor Option was to be adopted, the increase in XRL patronage and train frequency would saturate WRL corridor shortly after the opening of XRL.

In addition, the deployment of new train cars of up to 3.4 m-wide for XRL would conflict with the platform configurations of three WRL Stations, which were designed for train cars no more than 3.1 m wide. This would necessitate modification of the platforms concerns and the works would take about three years with each affected platform closed for six months.

- On 17 April 2007, in view of the above and the effectiveness of the Dedicated Corridor Option in connecting with the national railway network, CE-in-Council

decided that the Dedicated Corridor Option should be adopted in-principle for HKS of XRL.

- On 2 August 2007, the Chief Executive ("CE") announced the decision of adopting the Dedicated Corridor Option after the Tenth Plenary of the Hong Kong/Guangdong Co-operation Joint Conference.
- In October 2007, CE announced the proposed HKS of XRL as one of the 10 major infrastructure projects.
- On 22 April 2008, CE-in-Council decided to invite the MTR Corporation Limited ("MTRCL") to proceed with further planning and design of HKS of XRL. On 8 July 2008, the Finance Committee ("FC") approved the funding for the design and site investigation of HKS of XRL.
- The railway scheme of HKS of XRL was gazetted under the Railways Ordinance on 28 November and 5 December 2008. Detailed design commenced in January 2009.
- On 20 October 2009, CE-in-Council approved the implementation of HKS of XRL project and the Administration's recommendation to seek funding approval from FC so that the construction of the project could start before the end of 2009 for commissioning in 2015.
- At the meeting of the Public Works Subcommittee ("PWSC") on 3 December 2009, the funding proposals for HKS of XRL project and the special ex-gratia rehousing package were endorsed by PWSC.
- On 16 January 2010, the relevant funding proposals were approved by FC.
- In June 2010, the Administration submitted the 1st half-yearly report for the period between 16 January and 30 June 2010, which was discussed at the Subcommittee meeting on 6 July 2010.
- In March 2011, the Administration submitted the 2nd half-yearly report for the period between 1 July and 31 December 2010, which was discussed at the Subcommittee meeting on 20 May 2011.
- In September 2011, the Administration submitted the 3rd half-yearly report for the period between 1 January and 30 June 2011.
- In April 2012, the Administration submitted the 4th half-yearly report for the period between 1 July and 31 December 2011.
- In October 2012, the Administration submitted the 5th half-yearly report for the period between 1 January and 30 June 2012.

- In May 2013, the Administration submitted the 6th half-yearly report for the period between 1 July and 31 December 2012, which was discussed at the Subcommittee meeting on 24 May 2013.
- In October 2013, the Administration submitted the 7th half-yearly report for the period between 1 January and 30 June 2013, which was discussed at the Subcommittee meeting on 22 November 2013.
- On 15 April 2014, the Administration and MTRCL announced that the opening of HKS of XRL for service would be delayed to 2017. In May 2014, the Administration submitted a paper to provide the Subcommittee with information on the latest position of the construction of HKS of XRL, which included construction progress of HKS of XRL as at end March 2014.
- In November 2014, the Administration submitted a half-yearly report on the major works progress, indicators and financial situation of HKS of XRL project for the period between 1 April and 30 September 2014, which was discussed at the Subcommittee meeting on 2 January 2015.
- In March 2015, the Administration submitted a quarterly report on the major works progress, indicators and financial situation of HKS of XRL project for the period between 1 October and 31 December 2014, which was discussed at the Subcommittee meeting on 6 March 2015.
- In May 2015, the Administration submitted a quarterly report on the major works progress, indicators and financial situation of HKS of XRL project for the period between 1 January and 31 March 2015, which was discussed at the Subcommittee meeting on 19 May 2015.
- On 30 June 2015, MTRCL submitted revised estimates of programme to complete ("PTC") and cost to complete ("CTC") of HKS of XRL project. The project had to delay further from the end of 2017 to the third quarter of 2018 (including a six-month contingency period), and CTC was estimated to be \$85.3 billion (including a revised project cost of \$83.2 billion and \$2.1 billion for contingency). On 3 July 2015, the Subcommittee held a meeting with the Administration and MTRCL to discuss the revised PTC and CTC.
- In August 2015, the Administration submitted a quarterly report on the progress update of the construction of HKS of XRL project for the period between 31 March 2015 and 30 June 2015.

**Breakdown of the construction of railway works for the Hong Kong section
of the Guangzhou-Shenzhen-Hong Kong Express Rail Link**

		\$ million	
(a)	construction of railway works		43,615
(I)	civil works		31,596
	- Terminus	9,454	
	- Tunnel and associated structures	18,985	
	- Emergency rescue station and stabling sidings	3,157	
(II)	architectural works		1,900
(III)	building services		2,500
(IV)	railway electrical and mechanical works		5,714
(V)	rolling stock		1,905
(b)	project management cost payable to MTRCL for planning, management and supervision of the project, covering overheads and management expenses of MTRCL		3,261
(c)	fees for consultants appointed by the Government for monitoring and vetting MTRCL's work including cost of the project		95
(d)	contingencies		4,445.5
	Sub-total	51,416.5	(in September 2009 prices)
(e)	provision for price adjustment		3,601.0
	Total	55,017.5	(in money-of-the-day prices)

Breakdown of the construction of non-railway works for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link

	\$ million	
(a) construction of essential public infrastructure works		1,808.8
(I) seven footbridges at West Kowloon Terminus ("WKT")	280.0	
(II) two subways at WKT	138.8	
(III) depressed roads at part of Austin Road West and Lin Cheung Road, reconstruction of Wui Man Road and construction of Road D1A, and associated noise barriers / enclosures	1,390.0	
(b) construction of reprovisioning, remedial and improvement works		1,200.0
(c) enabling works		3,519.0
(I) enabling works for Site A	1,880.0	
(II) enabling works for West Kowloon Cultural District	1,604.0	
(III) enabling works for footbridges at Sham Mong Road	35.0	
(d) construction of boundary control facilities		2,609.0
(e) project management cost payable to MTRCL for planning, management and supervision of the project, covering overheads and management expenses of MTRCL		699.0
(f) fees for consultants appointed by the Government for monitoring and vetting MTRCL's work including cost		38.0
(g) provision of Government facilities / equipment including fire fighting equipment, and other furniture and equipment ¹		200.0
(h) contingencies		953.8
	Sub-total	11,027.6
		(in September 2009 prices)
(i) provision for price adjustment		772.4
	Total	11,800.0
		(in money-of-the-day prices)

(Source: LC Paper No. PWSC(2009-10)69 issued in December 2009)

¹ Based on an indicative list of furniture and equipment items required, including furniture and equipment in boundary control facilities.

Project scope of the construction of railway works for the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL")

- (a) construction of the railway works for HKS of XRL, which include –
 - (i) railway facilities at the West Kowloon Terminus ("WKT"), including station concourse, passenger waiting areas, platforms, control and signal systems, etc.;
 - (ii) approximately 26 km long tunnel from WKT to the boundary at Huanggang;
 - (iii) a below ground emergency rescue station and at-grade stabling sidings in Shek Kong with necessary facilities to provide emergency rescue, passenger evacuation, as well as maintenance of rolling stock and infrastructure; and
 - (iv) eight ventilation buildings, one emergency access point and the associated ventilation shafts and adits / accesses for the tunnel;
- (b) procurement of rolling stock, railway systems, as well as safety, operation and maintenance equipment; and
- (c) fees for consultants appointed by the Government for monitoring and vetting the work of the MTR Corporation Limited relating to the railway works under HKS of XRL.

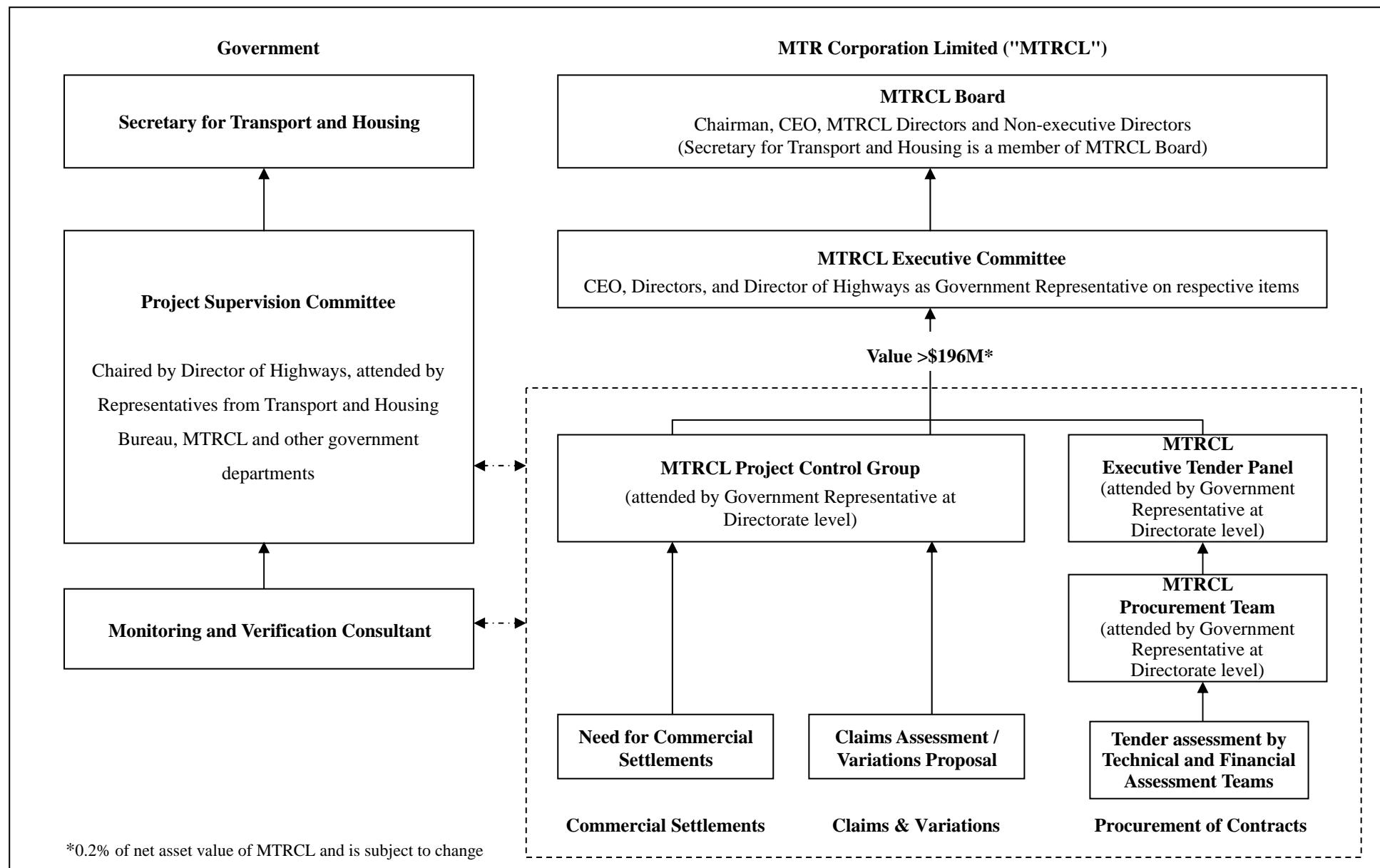
Project scope of the construction of non-railway works for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL")

- (a) construction of essential public infrastructure works ("EPIW") including –
 - (i) three footbridges linking to the Kowloon Station, two footbridges linking to the Austin Station, a footbridge linking to the public transport interchange at the north of Jordan Road and a footbridge above new Road D1A near Man Cheong Street;
 - (ii) two subways linking to the Austin Station and the footpath located at west of Lin Cheung Road;
 - (iii) construction of a depressed road system and associated at-grade roads and noise barriers / enclosures at Austin Road West and Lin Cheung Road; and
 - (iv) construction of new Road D1A and reconstruction of Wui Man Road and erection of associated noise barriers / enclosures;
- (b) construction of the reprovisioning, remedial and improvement works ("RRIW");
- (c) construction of the enabling works –
 - (i) for the topside property development at Site A¹;
 - (ii) for the future West Kowloon Cultural District development above West Kowloon Terminus ("WKT"); and
 - (iii) for the future footbridges at Sham Mong Road;
- (d) construction and provision of government facilities / equipment at WKT including the boundary control facilities, special fire fighting equipment for use in XRL tunnel during the construction and operation phases and the other associated equipment; and
- (e) fees for consultants appointed by the Government for monitoring and vetting the work of the MTR Corporation Limited relating to EPIW, RRIW, enabling works and the concerned government facilities / equipment.

(Source: LC Paper No. PWSC(2009-10)69 issued in December 2009)

¹ The site was zoned as Comprehensive Development Area (1) on the draft South West Kowloon Outline Zoning Plan No. S/K20/22A on top of WKT for non-railway development.

Flowchart on the Government's monitoring mechanism on the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link project



Source: The Administration's paper on progress and financial situation of the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link project (1st half-yearly report for the period ending 30 June 2010) [LC Paper No. CB(1)2290/09-10(01)] (Annex 3)

Project Supervision Committee ("PSC")

The Director of Highways, being the controlling officer responsible for XRL project, leads a high-level inter-departmental PSC. The Committee holds monthly meetings with MTRCL and the related government departments to review project progress, monitor procurement activities, post tender award cost control and resolution of contractual claims. PSC also provides steer on any matters that would affect the progress of XRL project.

2. To support and complement PSC's effort, the Highways Department ("HyD") inserts various check points into MTRCL's relevant work processes so that issues of potential concern can be flagged up and appropriately resolved at an early stage. For instance, representatives of Hyd, normally at directorate level, attend meetings of MTRCL's Procurement Team and the Executive Tender Panel concerning procurement of works and services for XRL project. Also, they provide comments and reflect views of the Administration at the meetings conducted by MTRCL's Project Control Group, which scrutinizes the assessment of variations and claims arising from the contracts of XRL project.

External monitoring and verification

3. In view of the scale of XRL project, HyD also employs an external consultant to assist in the monitoring work and undertake regular audits to verify MTRCL's compliance with its obligations under the entrustment agreement with the Administration. The monitoring and verification exercise is not limited to the work of MTRCL, but also includes that of the consultants, contractors or agents employed by MTRCL for XRL project. Moreover, HyD consultant identifies and advises HyD any potential risk regarding the implementation of XRL project and proposes appropriate mitigation measures. According to the Administration, this would help ensure that XRL project will meet the required standards and will be completed on schedule and within budget.

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17 August 2015

Secretary General
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Miss Katherine CHAN)

Dear Miss CHAN,

**Panel on Transport
Subcommittee on Matters Relating to Railways (“RSC”)**

**Hong Kong section of the
Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”)
Matters to be Followed Up**

Regarding the matters to be followed up on the Hong Kong section of the XRL project raised by Members at the RSC meeting on 3 July 2015, our reply is as follows –

Further Breakdown of the Revised Cost to Complete (“CTC”) of the XRL Project

The further breakdown of the Revised CTC of the XRL project provided by MTR Corporation Limited (“MTRCL”) is at the **Annex**.

Highways Department (“HyD”), assisted by its Monitoring and Verification (“M&V”) Consultant, is critically scrutinising MTRCL’s review results. As for the Revised CTC submitted by MTRCL, we will critically assess the basis of the underlying assumptions of the figure in accordance with the established practice in assessing Government’s public works projects. Upon completion of review by Highways Department, we will report the outcome to the public and the Legislative Council as soon as possible.

The above-mentioned review of MTRCL’s Revised CTC only focuses on the engineering estimate of the cost required to complete the whole XRL project. Apart from that, obligations regarding project cost overrun will have to be ascertained. The Government will assess MTRCL’s obligations regarding project implementation, works delay and project cost overrun, and will reserve all the rights to pursue the warranties and obligations from MTRCL.

Yours sincerely,



(Miss Winnie WONG)

for Secretary for Transport and Housing

c.c.

Highways Department (Attn: Mr Alex CHAN)

(Fax: 2714 5297)

MTR Corporation Limited (Attn: Ms Gloria WOO)

(Fax: 2208 3208)

**Further Breakdown of
the Revised Cost to Complete (“CTC”) of
the Hong Kong section of the Express Rail Link project (“XRL”)
provided by MTRCL**

Following the detailed review and revision of the Project to Complete (“PTC”), the MTRCL has conducted a complete review of the estimated CTC of the Project. The latest Revised CTC estimate is HK\$85.3 billion (in money-of-the-day prices). This comprises a contingency amount of HK\$2.1 billion and a Revised Total Project Cost of HK\$83.2 billion derived from a “bottom up” exercise.

2. The increase in costs from the original Project estimate of HK\$65 billion to the HK\$85.3 billion can be broken down into four main categories as defined in the Corporation’s paper submitted on 30 June 2015 (LegCo paper CB(4)1228/14-15(01)).

3. A breakdown of the changes in the Revised CTC is as follows:

Description	Change (\$ million)	Project Cost Estimate (\$ million)
Original Project Cost Estimate (2009)		65,000
(a) Programme Extension	6,500	
(b) Changes/Unaccounted Items	2,840	
(c) Additional Project Costs	8,860	
(d) Contingency	2,100	
Revised Project Cost to Complete (June 2015)		85,300

MTR Corporation Limited
August 2015

Updated background brief on the latest position of the construction of the Hong Kong section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL")

Relevant questions raised at Council meetings
(in the Fifth Legislative Council)

19.12.2012	Hon Claudia MO raised a question on impact of construction works of HKS of XRL on structure of nearby buildings. (http://www.info.gov.hk/gia/general/201212/19/P201212190238.htm)
29.5.2013	Hon Jeffrey LAM Kin-fung raised a question on progress of the construction of HKS of XRL and related immigration arrangements. (http://www.info.gov.hk/gia/general/201305/29/P201305280556.htm)
	Hon Frederick FUNG Kin-kee raised a question on monitoring the construction of HKS of XRL. (http://www.info.gov.hk/gia/general/201305/29/P201305290217.htm)
23.10.2013	Hon Frederick FUNG Kin-kee raised a question on co-location of boundary control facilities for HKS of XRL. (http://www.info.gov.hk/gia/general/201310/23/P201310220570.htm)
11.12.2013	Dr Hon KWOK Ka-ki raised a question on impacts of railway construction works on residents in Ngau Tam Mei. (http://www.info.gov.hk/gia/general/201312/11/P201312100593.htm)
26.2.2014	Hon SIN Chung-kai raised a question on co-location of immigration and customs facilities at the West Kowloon Terminus of XRL. (http://www.info.gov.hk/gia/general/201402/26/P201402260233.htm)
9.4.2014	Hon Albert HO Chun-yan raised a question on railway safety (including the progress of the procurement of the trains for XRL). (http://www.info.gov.hk/gia/general/201404/09/P201404090399.htm)
16.4.2014	Hon James TO Kun-sun raised a question on impacts of XRL works on nearby sites and buildings. (http://www.info.gov.hk/gia/general/201404/16/P201404160445.htm)
30.4.2014	Hon Tony TSE Wai-chuen raised a question on works progress of HKS of XRL. (http://www.info.gov.hk/gia/general/201404/30/P201404300347.htm)

21.5.2014	Dr Hon LAM Tai-fai raised a question on handling of the delay in the completion of the project to construct the express rail link. (http://www.info.gov.hk/gia/general/201405/21/P201405210505.htm)
	Dr Hon KWOK Ka-ki raised a question on construction works delay of XRL. (http://www.info.gov.hk/gia/general/201405/21/P201405210325.htm)
28.5.2014	Hon Kenneth LEUNG raised a question on construction works of XRL. (http://www.info.gov.hk/gia/general/201405/28/P201405280337.htm)
29.10.2014	Dr Hon KWOK Ka-ki raised a question on major infrastructure projects. (http://www.info.gov.hk/gia/general/201410/29/P201410290463.htm)
3.12.2014	Hon Ronny TONG Ka-wah raised a question on HKS of XRL. (http://www.info.gov.hk/gia/general/201412/03/P201412030573.htm)
	Dr Hon LAM Tai-fai raised a question on cost overruns and delay of major infrastructure projects. (http://www.info.gov.hk/gia/general/201412/03/P201412030932.htm)
4.11.2015	Hon Gary FAN raised a question on project delay and cost overrun of HKS of XRL project (http://www.info.gov.hk/gia/general/201511/04/P201511040499.htm)

Appendix X

Updated background brief on the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link

List of relevant papers

Committee	Date of meeting	Paper / Minutes
Public Works Subcommittee	2.12.2009 3.12.2009	Administration's paper on Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link - construction of railway works Administration's paper on Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link - construction of non-railway works Minutes (2.12.2009) Minutes (3.12.2009)
Finance Committee	18.12.2009 8.1.2010 15.1.2010 16.1.2010	Recommendations of the Public Works Subcommittee made on 2 and 3 December 2009
Subcommittee on Matters Relating to Railways	16.4.2010	Administration's paper Minutes
Subcommittee on Matters Relating to Railways	6.7.2010	Administration's paper
Subcommittee on Matters Relating to Railways	20.9.2010	Minutes
Subcommittee on Matters Relating to Railways	20.5.2011	Administration's paper Minutes

Committee	Date of meeting	Paper / Minutes
Subcommittee on Matters Relating to Railways	---	Administration's paper (3rd Half-yearly Report for the Period ending 30 June 2011)
Subcommittee on Matters Relating to Railways	---	Administration's paper (4th Half-yearly Report for the Period ending 31 December 2011)
Subcommittee on Matters Relating to Railways	---	Administration's paper (5th Half-yearly Report for the Period ending 30 June 2012)
Subcommittee on Matters Relating to Railways	24.5.2013	Administration's paper Administration's paper (6th Half-yearly Report for the Period ending 31 December 2012) Administration's supplementary information paper Minutes
Subcommittee on Matters Relating to Railways	22.11.2013	Administration's paper (7th Half-yearly Report for the Period ending 30 June 2013) Administration's supplementary information paper Minutes
Subcommittee on Matters Relating to Railways	5.5.2014 19.5.2014	Administration's paper MTR Corporation Limited's paper Administration's response to issues raised at the meeting on 5 May 2014 MTR Corporation Limited's supplementary information Minutes (5.5.2015) Minutes (19.5.2014)

Committee	Date of meeting	Paper / Minutes
Subcommittee on Matters Relating to Railways	4.7.2014	Administration's paper Administration's supplementary information paper Minutes
Subcommittee on Matters Relating to Railways	2.1.2015	Administration's paper (Half-yearly Report for the Period ending 30 September 2014) Administration's supplementary information paper Minutes
Subcommittee on Matters Relating to Railways	6.3.2015	Administration's paper (Quarterly Report for the Period ending 31 December 2014) Minutes
Subcommittee on Matters Relating to Railways	19.5.2015	Administration's paper (Quarterly Report for the Period ending 31 March 2015) Minutes
Subcommittee on Matters Relating to Railways	---	Administration's paper (Quarterly Report for the Period ending 30 June 2015)
Subcommittee on Matters Relating to Railways	3.7.2015	Administration's paper Administration's supplementary information paper Minutes