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Panel on Transport

Subcommittee on Matters Relating to Railways
Meeting on 22 February 2016

**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 kilometres 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 kilometres 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. 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

¹ 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

8. On 16 April 2010, the Administration provided a paper 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 at that time, 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.

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 comprised 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 a report to the Chief Executive on 15 December 2014 and the report⁴ was made available to the public on 30 January 2015.

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

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/>

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 nine regular progress reports, covering the period up to 30 September 2014.

14. 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 since March 2015. The latest quarterly report covered the period ending 30 September 2015.

Latest position on programme to complete ("PTC") and cost to complete ("CTC") of HKS of XRL project

Revised PTC and CTC of HKS of XRL project submitted by MTRCL

15. MTRCL submitted a revised PTC and CTC for HKS of XRL project to the Administration on 30 June 2015⁵. According to MTRCL's assessment, the commissioning of HKS of XRL would have to be delayed further from the end of 2017 to the third quarter of 2018 ("Q3/2018"), which included 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 was 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 2014⁶.

16. MTRCL advised that the major causes of project delay included 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

⁵ LC Paper No. CB(4)1228/14-15(01)

⁶ 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.

costs relating to changes in work scope or methodologies resulted from unforeseen events and additional project costs particularly labour and material costs.

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

17. 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 project⁷. The Administration was of the view that MTRCL, being the entrusted project manager of HKS of XRL project, should bear the greatest responsibility and duty to control project costs and manage risks.

18. The Administration advised that the Highways Department and its monitoring and verification 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 also 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.

19. According to the information provided by the Administration in November 2015⁸, the assessment of MTRCL's review results on the revised PTC and CTC had been completed. The Administration was of the view that in order to achieve the revised PTC of Q3/2018, MTRCL had to closely monitor the progress of the critical contracts, timely discuss with the relevant contractors on the implementation of the revised programme, and establish an effective risk monitoring system to monitor mitigation measures which could effectively reduce the project risks. In relation to the revised CTC, the Administration suggested that it could be further reduced to \$84.42 billion.

20. In view of the cost overrun of HKS of XRL project, the Government reached an agreement ("XRL Agreement") with MTRCL on 30 November 2015 that:

- (a) the Administration shall bear and finance the XRL project cost overrun up to HK\$19.42 billion, with any further cost overrun to be borne and financed by MTRCL;
- (b) MTRCL shall pay a Special Dividend at HK\$4.4 per share to its shareholders (including Government as the majority shareholder);

⁷ LC Paper No. CB(4)1273/14-15(01)

⁸ LC Paper No. CB(4)280/15-16(02)

- (c) the Administration reserved its right to take MTRCL to arbitration on the Corporation's liability and, as part of the arbitration, to challenge the cap on MTRCL's liability stipulated in the Entrustment Agreement signed between the Government and MTRCL in January 2010; and
- (d) if the arbitrator determines that (i) MTRCL's liability cap is valid, and (ii) but for the liability cap, the Corporation's liability for the current cost overrun would exceed the liability cap, MTRCL will have to seek independent shareholders' approval at an extraordinary general meeting in order to pay its excess liability (i.e. liability beyond the cap).

However, the XRL Agreement was conditional upon (a) the approval of MTRCL's independent shareholders at an extraordinary general meeting; and (b) the approval by FC of the funding for financing the current cost overrun within this legislative year. At MTRCL's General Meeting held on 1 February 2016, its independent shareholders supported the resolution to approve, confirm and ratify the terms of the XRL Agreement

21. According to the Administration, an additional total amount of \$19.6 billion will be needed by July 2016 on top of the funding that FC approved in January 2010 to take forward the XRL project. The Administration further advised members in December 2015 that if the application for the additional fund could not be approved by FC by end February 2016, MTRCL might need to issue a suspension notice to its contractors. The Administration submitted applications for additional funding of \$19.6 billion to the Public Works Subcommittee ("PWSC") on 23 December 2015. In view of the urgency of the funding applications, the Administration did not wait until the completion of discussion at PWSC and submitted the funding applications to FC on 5 February 2016.

22. As of the end of December 2015, the Project was 76% complete with all tunneling sections broken through⁹.

⁹ Please see MTRCL's press release issued on 1 February 2016: https://www.mtr.com.hk/archive/corporate/en/press_release/PR-16-011-E.pdf

Major concerns raised by Subcommittee members

Project delay and cost overrun

23. Members were gravely concerned about the continuous delay and serious cost overrun of HKS of XRL project.

24. Some members questioned 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 about the feasibility of partial opening of the railway line for early commissioning of the project. MTRCL responded that its current aim was to complete the HKS of XRL project as quickly as possible with a completed station with ten tracks and the completed tunnels by Q3/2018 according to the revised PTC.

25. At the Subcommittee meeting on 3 July 2015, members 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.

26. 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.

27. Given the serious delay and cost overrun of HKS or XRL, some members suggested halting the project or part of the project to avoid further loss of public money, but other members had reservation on halting the project as it would adversely affect the economic development and reputation of Hong Kong. The Administration responded that at the current stage, the most important and primary objective was to contain cost and try, with the cooperation and efforts of MTRCL, to complete the whole project as quickly as possible. The Administration further advised that if the XRL contracts were to be suspended or terminated, there would be additional expenditure incurred to the project to be financed by the Administration. At the request of the Subcommittee, the Administration provided the cost incurred due to suspension and termination of XRL for members' reference.¹⁰

¹⁰ LC Paper No. CB(4)333/15-16(02)

The XRL Agreement

28. In the light of the XRL Agreement, some members considered that the paying of Special Dividends to the Administration through the raising of debts by MTRCL to cover the project cost overrun would have the effect of passing the debt liabilities to MTRCL shareholders, and that the public would be affected as MTRCL might increase fares or cancel some fare concession measures to maintain its profit level.

29. MTRCL explained that it was not uncommon in the commercial sector for listed companies to raise debts for financing the paying of dividends to shareholders. As regards MTR fares, an adjustment mechanism was already in place to review MTR fares each year.

30. At the Subcommittee meeting on 4 December 2015, members sought clarification regarding the provision in section B(i) of the XRL Agreement whether it might open up loopholes for MTRCL to evade its responsibility in respect of further cost overrun. They suggested that the Government might need to consider signing a deed of indemnity with MTRCL to cover further liabilities arising from any third parties claims.

31. MTRCL explained that the XRL Agreement provided certain exemptions under which MTRCL should have no obligation to finance the further cost overrun exceeding \$84.42 billion, but the occurrence of such exemptions (e.g. the occurrence of *force majeure* events, changes in legislation that affected the overall construction cost and suspension to underlying contracts of the project) would be rare. There was another provision in the XRL Agreement that if the Administration was required to pay or paid an amount of the entrustment cost that formed part of the further cost overrun, MTRCL would indemnify the Administration of such amount paid by the Administration as soon as reasonably practicable. As regards provision in section B(i) of the XRL Agreement, MTRCL said that the provision referred to situations where there were legislation changes affecting the whole construction industry and construction cost.

32. In reply to members' enquiry about why the Administration chose to pursue MTRCL's liabilities through arbitration instead of other means, the Administration said that the Entrustment Agreement signed between the Government and MTRCL provided that the settlement of disputes between the two parties would be pursued through arbitration, which was also less time-consuming and less costly as compared to other means of settlement.

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

33. 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.

34. The Administration explained that the design of co-location arrangement involved complex legal and practical operational issues, and they were actively studying the issues with their Mainland counterparts. According to the Administration¹¹, Secretary for Justice ("SJ"), Secretary for Transport and Housing and other government officials visited Shenzhen and Beijing 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.

35. At the Subcommittee meetings on 4 and 14 December 2015, members expressed worry that in an attempt to implement the co-location arrangement, both the Hong Kong and Mainland authorities might propose to the Standing Committee of the National People's Congress that relevant national laws relating to customs, immigration and quarantine ("CIQ") etc. be added to Annex III of the Basic Law ("BL") so that these national laws could be applied to Hong Kong. They opined that allowing the Mainland law enforcement agencies to enforce these national laws at WKT contravened BL and would undermine the rule of law in Hong Kong.

36. SJ explained at the Subcommittee meeting on 14 December 2015 that authorities of Mainland and Hong Kong would ensure that the co-location arrangement would be in full compliance with BL and the "one country, two systems" principle. However, both Mainland and Hong Kong needed to examine further the legal and operational issues involved, and both had agreed to further discuss the issues in early 2016.

37. Some members were of the view that details of the co-location arrangement should be available before the Administration sought additional funding approval from FC. The Administration advised that the concept of co-location arrangement had already been incorporated in the design of HKS of XRL when it was proposed in 2009, and there was a space designated for the provision of boundary control facilities at WKT. The co-location arrangement and the additional funding applications should be considered separately.

¹¹The 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 [Secretary for Transport and Housing] to visit Beijing" issued on 20 May and 18 November 2015 respectively.

38. In view of the lack of details on the co-location arrangement, some members enquired whether the Administration had any alternative plan, e.g. adopting a separate-location model of CIQ facilities in Hong Kong and Shenzhen, or handling the procedures in train compartments. The Administration replied that it was conducting a study on the feasible options in taking forward the co-location arrangement, including suggestions made by LegCo Members and the public. At the present stage, the Administration was of the view that only the co-location arrangement could unleash the full potential of XRL. The Administration would explore how to deal with the legal and operational issues arising from the co-location arrangement, and would provide further information to the public and LegCo in due course.

39. At members' request, the Administration provided supplementary information on the economic benefits of co-location of CIQ and separate-location model and issues relating to the proposed co-location arrangements to be adopted at WKT¹².

Labour shortage problem

40. Members have expressed concern about the 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").

41. 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 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. 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.

42. At the Subcommittee meeting on 4 December 2015, the Administration advised that there was a shortfall of about 400 workers for HKS of XRL project, and about 100 workers had been approved under SLS.

¹² LC Paper No. CB(4)394/15-16(01)

Other concerns

43. 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

44. In the Fifth LegCo, Members raised eighteen 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 VIII** and **IX** respectively.

Latest developments

45. The Administration plans to update the Subcommittee on the progress of the construction of HKS of XRL at the meeting to be held on 22 February 2016.



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 S. H. LAM 總工程師 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.
- On 30 November 2015, the Government reached an agreement ("XRL agreement") with MTRCL in view of the cost overrun of HKS of XRL project.
- In November 2015, the Administration submitted its assessment of the MTRCL's review results on the revised PTC and the revised CTC. According to the Administration, an additional total amount of \$19.6 billion will be needed by July 2016 on top of the funding that FC approved in January 2010 to take forward the

XRL project.

- In November 2015, the Administration submitted a quarterly report on the progress update of the construction of HKS of XRL project covered the period ending 30 September 2015.
- On 23 December 2015, the Administration submitted applications for additional funding of \$19.6 billion to PWSC.
- On 1 February 2016, MTRCL's independent shareholders supported the resolution to approve, confirm and ratify the terms of the XRL Agreement.
- On 5 February 2016, the Administration submitted the funding applications of \$19.6 billion to FC.

**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.

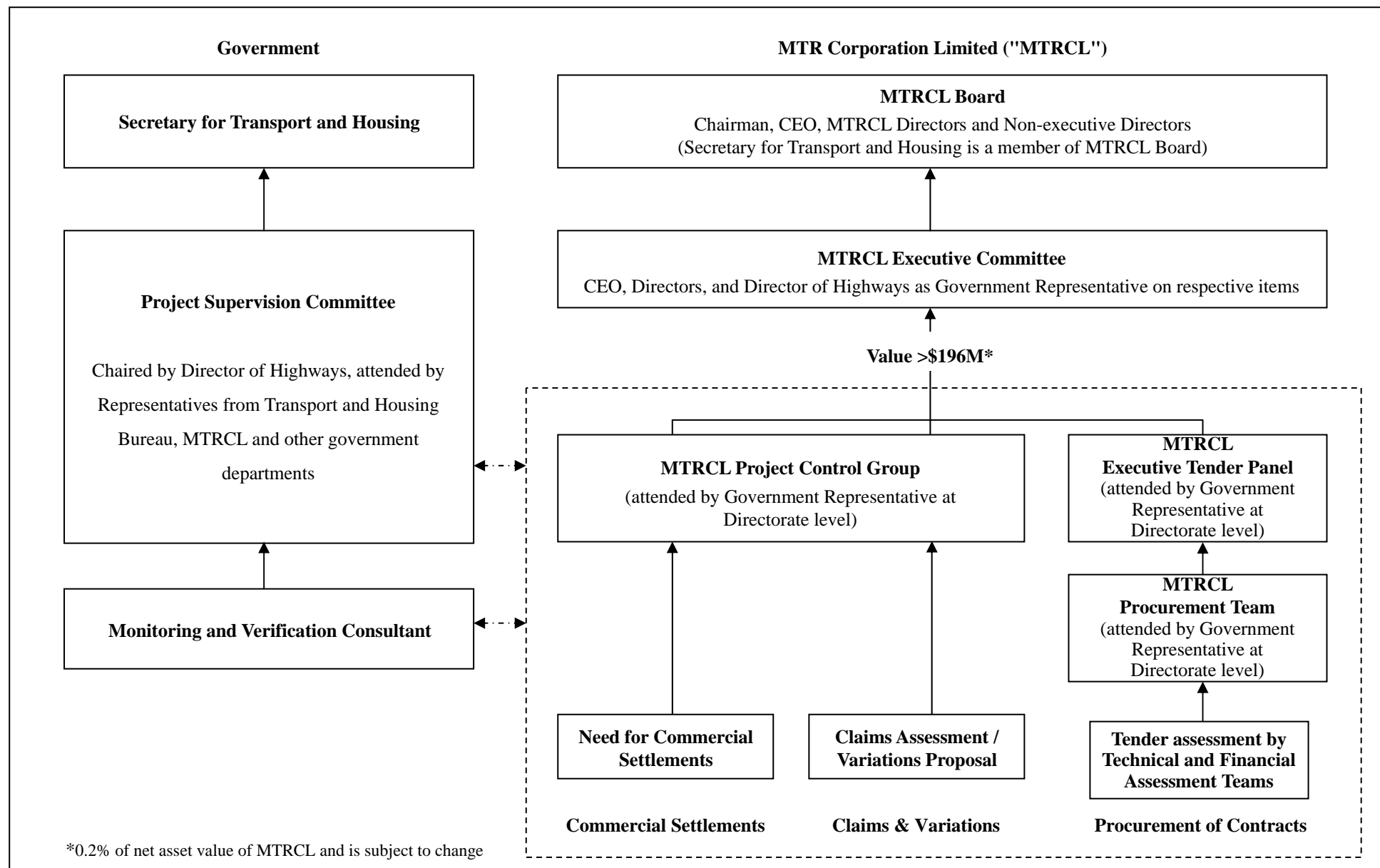
Project scope of the construction of non-railway works for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL")

- (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.

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	<p>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)</p> <p>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)</p>
28.5.2014	<p>Hon Kenneth LEUNG raised a question on construction works of XRL. (http://www.info.gov.hk/gia/general/201405/28/P201405280337.htm)</p>
29.10.2014	<p>Dr Hon KWOK Ka-ki raised a question on major infrastructure projects. (http://www.info.gov.hk/gia/general/201410/29/P201410290463.htm)</p>
3.12.2014	<p>Hon Ronny TONG Ka-wah raised a question on HKS of XRL. (http://www.info.gov.hk/gia/general/201412/03/P201412030573.htm)</p> <p>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)</p>
4.11.2015	<p>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)</p>
9.12.2015	<p>Hon Frederick FUNG raised a question on the implementation of the arrangements for co-location of boundary upon commission of XRL: (http://www.info.gov.hk/gia/general/201512/09/P201512090311.htm)</p>
3.2.2016	<p>Hon Mrs Regina IP Lau Suk-ye raised a question on MTRCL railway businesses (http://www.info.gov.hk/gia/general/201602/03/P201602030607.htm)</p>

Appendix IX

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

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

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

Committee	Date of meeting	Paper / Minutes
Subcommittee on Matters Relating to Railways	4.12.2015 14.12.2015	<u>Administration's paper (Quarterly Report for the Period ending 30 September 2015)</u> <u>Administration's supplementary information paper</u> <u>Administration's supplementary information paper</u> <u>Administration's supplementary information paper</u>
Subcommittee on Matters Relating to Railways	14.12.2015	<u>Administration's supplementary information paper</u> <u>Administration's supplementary information paper</u>
Public Works Subcommittee	23.12.2015	<u>Administration's paper on Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link - construction of railway works</u> <u>Administration's paper on Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link - construction of non-railway works</u> <u>Minutes (23.12.2015)</u>
Finance Committee	5.2.2016	<u>Administration's paper on Hong Kong section of Guangzhou-Shenzhen-Hong Kong Express Rail Link - construction of railway works</u>