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Ms Shirley Chan
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Chan,

Panel on Economic Development

Follow-up to the meeting on 27 November 2017

We consulted the Legislative Council Panel on Economic Development (Panel) on 27 November 2017 on the proposed retention of the three supernumerary directorate posts in the Airport Expansion Project Coordination Office (AEPCO) under the Transport Branch of the Transport and Housing Bureau. The Government was requested to provide information on its monitoring mechanism to ensure that the delivery of the Three-Runway System (3RS) project would be within the expected time and budget. I am authorised to reply as below.

Given the immense investment involved, it is in the interest of the Government to ensure a proper and timely implementation of the 3RS project with due regard to cost-effectiveness. The public also expects the Government to closely monitor and scrutinise Airport Authority Hong Kong (AAHK)'s

implementation of the project in view of its scale, cost and complexity. To this end, the Government has adopted a multi-pronged approach in monitoring the work of the AAHK in the implementation of the 3RS project.

In order to provide high-level steer, a Steering Committee on Three-Runway System and North Commercial District (Steering Committee) is chaired by the Financial Secretary to oversee the implementation of the 3RS project at a broad, strategic level. For engaging inputs of the key stakeholders of the aviation industry, an Aviation Development and Three-Runway System Advisory Committee (ADTAC) is established and chaired by the Secretary for Transport and Housing. The Steering Committee, together with the ADTAC, with AEPCO providing secretariat support, provide effective platforms for the Government and members from various sectors to offer advice which would facilitate the development of aviation industry and the implementation of the 3RS.

In addition, the Government keeps a close watch on the construction process with emphasis on cost control, progress monitoring, works quality, risk management and contract interfacing through scrutinising progress reports provided by the AAHK, regular progress meetings with AAHK and routine site visits. To enhance the monitoring of the 3RS project, the Government has adopted a 3-tier mechanism, which includes regular meetings between the Permanent Secretary for Transport and Housing (Transport) and the Chief Executive Officer of the AAHK; monthly meetings between the Head (AEPCO) and the Executive Director (Third Runway) of the AAHK; and monthly working level meetings between AEPCO, its monitoring and verification consultant, and the 3RS project team of the AAHK.

Given that more than one hundred contracts, each involving substantial contract value, will need to be procured in the coming years, AEPCO also provide advice to AAHK on the preparation of tender documents and formulation of contract procurement strategy with particular focus on claims avoidance and mechanism for dispute resolution. The aim is to minimise the risk of cost overrun of the project.

In terms of funding, AAHK will fund the 3RS through retaining AAHK's operating surplus; levying an Airport Construction Fee; and borrowing/raising funds from the market. While the financial arrangement is

being implemented, AEPCO will continue to liaise with AAHK and provide input/advice on its detailed funding plan in consultation with relevant Bureaux/Departments as and when appropriate.

Yours sincerely,

[Signed]

(Charvis Li)
for Secretary for Transport and Housing