

立法會

Legislative Council

LC Paper No. FC52/20-21
(These minutes have been
seen by the Administration)

Ref : FC/1/1(30)

Finance Committee of the Legislative Council

Minutes of the 31st meeting
held at Conference Room 2 of the Legislative Council Complex
on Friday, 5 June 2020, from 3:05 pm to 6:58 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, BBS, JP

Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Dr Hon Pierre CHAN
Hon Tanya CHAN
Hon HUI Chi-fung
Hon LUK Chung-hung, JP
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS
Hon CHAN Hoi-yan

Members absent:

Hon WONG Kwok-kin, SBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon YUNG Hoi-yan, JP

Hon CHEUNG Kwok-kwan, JP
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai

Public officers attending:

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| Mr Raistlin LAU Chun, JP | Deputy Secretary for Financial Services and the Treasury (Treasury)1 |
| Mr Mike CHENG Wai-man | Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch) |
| Mr Frank CHAN Fan, JP | Secretary for Transport and Housing |
| Mr Peter MAK Chi-kwong | Principal Assistant Secretary for Transport and Housing (Transport)7 |
| Mr Jimmy CHAN Pai-ming, JP | Director of Highways |
| Mr Robert CHAN Cheuk-ming, JP | Principal Government Engineer (Railway Development), Highways Department |
| Mr LEUNG Sai-ho | Chief Engineer (Railway Development 1-2), Highways Department |

Other persons attending:

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| Dr Jacob KAM | Chief Executive Officer, MTR Corporation Limited |
| Mr Roger BAYLISS | Projects Director, MTR Corporation Limited |
| Mr James CHOW | Divisional General Manager (Projects Construction), MTR Corporation Limited |
| Mr Scott MACKENZIE | General Manager (Procurement and Contracts), MTR Corporation Limited |
| Mr Lam CHAN | Deputy General Manager (Projects and Property Communications), MTR Corporation Limited |

Clerk in attendance:

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| Ms Anita SIT | Assistant Secretary General 1 |
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Staff in attendance:

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| Ms Angel SHEK | Chief Council Secretary (1)1 |
| Miss Bowie LAM | Council Secretary (1)1 |
| Miss Queenie LAM | Senior Legislative Assistant (1)2 |
| Mr Frankie WOO | Senior Legislative Assistant (1)3 |
| Miss Mandy POON | Legislative Assistant (1)1 |
| Miss Yannes HO | Legislative Assistant (1)7 |

Action

The Deputy Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

2. The Deputy Chairman declared that he was an advisor of the Bank of China (Hong Kong) Limited.

Item 1 — FCR(2020-21)16
RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 6 NOVEMBER 2019

PWSC(2019-20)11

HEAD 704 — DRAINAGE

Environmental — Sewerage and sewage treatment
Protection

354DS — Outlying Islands sewerage, stage 2 – upgrading of
Cheung Chau and Tai O sewage collection,
treatment and disposal facilities

389DS — Upgrading of West Kowloon and Tsuen Wan
sewerage – phase 2

391DS — West Kowloon and Tsuen Wan village sewerage

214DS — Tseung Kwan O sewerage for villages

414DS — Rehabilitation of underground sewers

Civil — Drainage and erosion protection

Engineering
172CD — Rehabilitation of underground stormwater drains

3. The Deputy Chairman advised that the item sought the approval of the Finance Committee ("FC") for the recommendation made by the Public Works Subcommittee ("PWSC") at its meeting held on 6 November 2019 in respect of PWSC(2019-20)11 to upgrade the following projects to

Category A:

- (a) "upgrading of West Kowloon and Tsuen Wan sewerage – phase 2" and "Tseung Kwan O sewerage for villages" at estimated costs of \$2,285.5 million and \$289.5 million in money-of-the-day ("MOD") prices respectively;
- (b) part of "Outlying Islands sewerage, stage 2 – upgrading of Cheung Chau sewage treatment and disposal facilities" at an estimated cost of \$2,606.9 million;
- (c) part of "West Kowloon and Tsuen Wan village sewerage – phase 1" at an estimated cost of \$104.1 million;
- (d) part of "Rehabilitation of underground sewers – stage 2" at an estimated cost of \$306.1 million;
- (e) part of "Rehabilitation of underground stormwater drains – stage 2" at an estimated cost of \$515.1 million; and
- (f) to retain the remainders of the aforementioned projects in Category B.

Voting on FCR(2020-21)16

4. At 3:07 pm, the Deputy Chairman put item FCR(2020-21)16 to vote. The Deputy Chairman declared that the majority of the members present and voting were in favour of the item, and the item was approved.

**Item 2 — FCR(2020-21)11
RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 11 MAY 2020**

PWSC(2019-20)27

HEAD 706 — HIGHWAYS

Transport — Railways

**61TR — Shatin to Central Link – construction of railway
works—remaining works**

**62TR — Shatin to Central Link – construction of non-railway
works—remaining works**

5. The Deputy Chairman advised that the item sought FC's approval for the recommendation made by PWSC at its meeting held on 11 May 2020 in respect of PWSC(2019-20)27 to:

- (a) increase the approved project estimate ("APE") of 61TR by \$8,696.8 million from \$65,433.3 million to \$74,130.1 million in MOD prices; and
- (b) increase APE of 62TR by \$1,367 million from \$5,983.1 million to \$7,350.1 million in MOD prices.

6. At the Deputy Chairman's invitation, Secretary for Transport and Housing ("STH") briefed members on the reasons for increasing APE of 61TR and 62TR (collectively known as "the main works of the Shatin to Central Link ("SCL")") by a total of about \$10,063.8 million to continue to take forward the remaining works of SCL, as well as the impact to be brought about by the failure of FC to approve the additional funding within this legislative year.

7. The meeting was suspended at 5:01 pm and resumed at 5:11 pm. The Chairman took the chair. The Chairman declared that he was an Executive Director and the Chief Executive Officer of Well Link Insurance Group Holdings Limited.

The overall project cost of SCL

8. Mr Alvin YEUNG sought information on the cost, route length and average cost per kilometer ("km") of SCL and other railway lines operated by the MTR Corporation Limited ("MTRCL").

9. The Chief Executive Officer ("CEO") of MTRCL replied that the Tsuen Wan Line, Kwun Tong Line and Island Line had been completed between 1979 and 1985 and it was difficult to make a direct comparison between the costs back then and the current costs.

10. The Government responded that:

- (a) whilst the circumstances of each railway line varied and might not be directly comparable, members could draw reference from the costs of the various railway lines completed in recent years;

- (b) SCL had a total length of 17 km and if approval was obtained to increase its APE, its cost was approximately \$90.7 billion, with the average cost per km being about \$5.3 billion;
- (c) the West Island Line had a total length of 3 km and its cost was approximately \$18.5 billion, with the average cost per km being about \$6.2 billion;
- (d) the Kwun Tong Line Extension had a total length of 2.6 km and its cost was approximately \$7.2 billion, with the average cost per km being about \$2.8 billion; and
- (e) the South Island Line had a total length of 7 km and its cost was approximately \$16.9 billion, with the average cost per km being about \$2.4 billion, but shorter trains were used for this railway line.

11. Mr Alvin YEUNG expressed concern about the ever-increasing construction costs of railway projects. Ms Claudia MO asked whether the Government had taken forward the SCL project because it was in urgent need to implement some large-scale infrastructure projects.

12. In response, STH advised that:

- (a) Hong Kong ranked at the forefront among the world's metropolises in many aspects including living cost, wage and construction cost;
- (b) it was difficult to make a comparison across the board solely based on the average cost per km of the various local railway lines due to the different geological conditions of their catchment areas, the size of trains, the number of train cars and the complexity of the projects, etc.; and
- (c) the SCL project was a strategic project for railway development in Hong Kong. The railway line not only would link up North East New Territories and North West New Territories, but also would connect the railway network from South to North for direct access to Hong Kong Island.

13. Mr CHU Hoi-dick noted that MTRCL had requested to raise the entrustment cost to \$87,328 million in 2017, but subsequently revised it to \$82,999.3 million in February 2020. Mr CHU sought for a breakdown of

the reduction of \$4,328.7 million in the entrustment cost by the works under 61TR and 62TR. He also asked whether the reduction in the entrustment cost was borne by MTRCL on its own.

14. In response, Director of Highways ("DHy") advised that:

- (a) the main reason for the decrease in the entrustment cost was that some works contracts had been settled over the past few years and certain risks no longer existed, so the provision set aside could be reduced;
- (b) a breakdown of the reduction in the entrustment cost by the works under 61TR and 62TR would be provided after the meeting; and
- (c) the estimate made in 2017 had been based on the information available at that time, and likewise, the present application for additional funding had also been made on the basis of the information currently available.

[*Post-meeting note:* The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC217/19-20(01) on 12 June 2020.]

15. Dr KWOK Ka-ki opined that problems such as cost overruns, delays and quality of works of the SCL project were a result of the severely inadequate supervisory work of MTRCL, and the MTRCL's management and STH should be held responsible. Mr SHIU Ka-chun asked whether the Government could take back from MTRCL the project management cost already paid in view of the latter's unsatisfactory performance in project management.

16. In response, STH said that the project management cost of the entire SCL project amounted to about \$7.9 billion. The Government would, in the light of the findings of the Commission of Inquiry into the Construction Works at and near the Hung Hom Station Extension ("the construction works at the Hung Hom Station Extension") under the SCL Project ("the Commission of Inquiry"), examine whether MTRCL had committed any faults in taking forward the project, resulting in the Government suffering losses. The Government would follow up in accordance with the entrustment agreement if there was sufficient evidence.

17. Mr Tony TSE opined that given its extensive scale, there would be quite a lot of uncertainties when taking forward the SCL project, and cost increases resulting from design modifications or project delays were inevitable. Mr TSE pointed out that as reflected by this application for additional funding, the risk of cost overruns associated with the SCL project was entirely borne by the Government. It seemed that MTRCL, being the project manager, had not borne the risk of cost overruns.

18. Mr Michael TIEN noted that the additional funding of \$10 billion currently sought by the Government in respect of SCL did not arise from the construction issues of the Hung Hom Station Extension. He opined that whilst additional funding had now been sought because of unforeseen circumstances, the authorities had made their best endeavour to reduce the amount of the additional funding sought to a level acceptable to him. Therefore, he supported this funding application. Despite that, Mr TIEN asked whether MTRCL could deduct the project management cost of \$700 million in relation to the construction works at the Hung Hom Station Extension.

19. CEO of MTRCL said in response that the project management cost collected by MTRCL was the actual expenditure and the company had not obtained any profit from it. MTRCL had also set aside \$2 billion for following up matters in relation to the construction works at the Hung Hom Station Extension.

20. Mr LEUNG Yiu-chung queried why the cost overrun of the SCL project should ultimately be borne by members of the public when the Government's monitoring of the project was inadequate, even though part of the overrun involved unforeseeable circumstances.

21. DHy replied that the increase in the construction cost was attributable to multiple reasons, including the purchase of additional trains to meet the public demand for transport, as well as the provision of care ambassador service in response to the community's views on the traffic diversion, residents' practical needs, etc.

22. Dr Pierre CHAN and Dr Fernando CHEUNG were concerned whether this was the last time to apply for supplementary provision for SCL. Dr Fernando CHEUNG remarked that MTRCL had convened a general meeting during which a resolution had been made to impose a cap for the project of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL"). Dr CHEUNG asked whether further cost overruns incurred by SCL (if any) could be borne by MTRCL itself,

and whether the Administration would cap the expenditure for the SCL project and provide justifications for the need to support this additional funding application.

23. In response, STH said that:

- (a) the decision to impose a cap for the XRL project had its own factors for consideration back then;
- (b) the justifications for this additional funding application had been explained in the discussion paper. For example, additional archaeological work at Sung Wong Toi Station accounted for about \$3 billion; additional measures to address site constraints accounted for about \$4 billion; and modifications in response to the feedbacks and requirements of the stakeholders and railway operator accounted for about \$2.2 billion;
- (c) subject to the approval for this funding application, the increased APE was sufficient to cater for the remaining works of the SCL project; and
- (d) as a public officer, he could only speak on the basis of facts. Since the social incidents last year and the outbreak of the epidemic this year were unpredictable in advance, he could not guarantee to rule out the possibilities of making additional funding applications in the future.

24. Mr HUI Chi-fung, Mr LEUNG Yiu-chung and Dr Fernando CHEUNG said that no matter it was the financial problems of Disneyland or Ocean Park or the various funding applications of the SCL project, the Government requested to deal with them with public funds on each occasion. If funding was not granted, there would be serious consequences, and thus Members could not but approve the funding. They were concerned that such a manner of making funding applications had become a norm. Dr Fernando CHEUNG even likened such a manner of making funding applications to kidnapping and blackmailing.

25. In response, STH clarified that:

- (a) the justifications for the additional funding application had been expounded in detail in the paper. The expenditures involved were the costs which had been unpredictable in the

course of taking forward the project and were practically needed;

- (b) if funding could not be secured successfully, the SCL project would need to be suspended in as early as October this year. Related works would be postponed indefinitely until additional funding was obtained. The suspension of the SCL project would also entail various kinds of protection work and additional expenses with their exact amount depending on the protection works to be carried out before resumption of works and the result of the re-tender; and
- (c) given the Government's obligation to fulfil its duties in accordance with the contracts, the facts were set out in the paper for members' consideration. The consequences of failure to obtain the funding and the amount of money involved might be shocking. However, the purpose of setting out the facts was not to make any threats.

26. Mr LUK Chung-hung was concerned about the functions and roles of the consultants in the whole project, and whether there was any incentive for the consultants to help the Government cut down the construction cost. Mr Vincent CHENG said that he expected both the Government and MTRCL to improve their monitoring and control over the works expenditure after funding was approved this time.

27. DHy replied that:

- (a) at the design stage, MTRCL had engaged a consultant to carry out the planning and design work, while the Government had appointed a consultant to review whether the cost was reasonable; and
- (b) at the construction stage, MTRCL had engaged a consultant to assist in taking forward the project, such as making modifications to the design in the light of the situation, while the Government had appointed a monitoring and verification ("M&V") consultant to assist the Highways Department in monitoring the work of MTRCL.

28. STH responded that the Government would strive for effective supervision to ensure the quality and safety of works under the project.

Progress of the SCL project

29. Mr Tony TSE expressed concern whether the construction progress of the SCL project had been affected by the novel coronavirus epidemic.

30. In response, CEO of MTRCL said that:

- (a) the overall progress of the SCL project was 93%, under which over 99% of the works of the Tai Wai to Hung Hom Section of the Tuen Ma Line ("TML") had been completed, whereas the works progress of the Cross Harbour Section (i.e. the Hung Hom to Admiralty Section) of the East Rail Line ("ERL") was 85%; and
- (b) given the novel coronavirus epidemic early this year, the supply of construction materials had been affected. Foreign and local quarantine arrangements had also imposed constraints on the manpower and work of overseas engineering experts. To overcome the difficulties, a series of measures such as using local resources and identifying other suppliers of materials had been adopted, and the impact was kept under control at the moment.

31. Ms CHAN Hoi-yan, Mr Michael TIEN and Dr Pierre CHAN were concerned whether the commissioning date of SCL would be further delayed. Dr Pierre CHAN enquired whether the delay of the SCL project was related to filibustering in Legislative Council ("LegCo").

32. STH replied that the delay of the SCL project was not directly related to the progress of scrutiny of the relevant items in LegCo, and he reiterated that the Administration would do its utmost to take forward the project. According to the works progress currently available, he was confident that the entire TML would be commissioned in the third quarter of 2021, and the Cross Harbour Section of ERL would be commissioned in the first quarter of 2022.

33. Mr CHAN Han-pan said that back then, the works of the West Rail Line ("WRL") involving 10 stations had taken only five years to complete. The present works progress of SCL was slow, and the construction of two stations of the proposed Tuen Mun South Extension was even expected to be completed in seven years. Mr CHAN was concerned about the increase in construction cost as a result of the extension of the construction period of railway works projects.

34. In response, STH said that:

- (a) since the works of SCL had to be conducted in developed areas with high-rises, the preparatory work, safety measures and work procedures involved were more complicated. The construction period would be longer than that of a railway development project in a new development area. Various parties had made every endeavour to shorten the design and construction stages; and
- (b) the Tuen Mun South Extension project was affected by the reprovisioning of Tuen Mun Swimming Pool. A possible site had currently been identified for relocation. If the swimming pool was to be fully reprovisioned, the whole project was expected to take 79 months. If the swimming pool could be reprovisioned in phases, it was expected that the construction period could be shortened to 68 months.

35. Mr SHIU Ka-chun expressed concern about the progress of retrofitting platform screen doors at ERL. He noted that reinforcement works had been carried out on the platforms of ERL since 2013 to facilitate the retrofit of platform screen doors. At that time it was anticipated that the retrofit could be conducted in 2019. The present SCL project included modification of station platforms of ERL to cater for the operation of SCL. In this connection, Mr SHIU Ka-chun asked whether the progress of retrofitting platform screen doors at ERL stations could be expedited. Mr Michael TIEN also asked whether the retrofit of platform screen doors at ERL stations could be completed in 2022.

36. In response, DHy said that SCL would extend ERL to Hong Kong Island, and the change involved would be a change in the number of train cars from 12 at present to 9 in the future. During the transitional period, both types of trains would run on ERL concurrently. As the door locations of the two types of train were different, the retrofit of screen doors would not commence until all the trains were replaced by 9-car trains. Otherwise, the position of the screen doors could hardly fit both 9-car and 12-car trains. At the present stage, only reinforcement works could be conducted on the platforms.

37. CEO of MRTCL replied that the first-phase retrofitting works of platform screen doors at ERL were expected to be completed in the fourth quarter of 2022.

Additional works for topside developments above railway stations

38. Noting that the additional works for topside developments above Exhibition Centre Station and Diamond Hill Station of SCL involved about \$580 million, Mr Jeremy TAM and Mr CHAN Chi-chuen requested the Administration to explain the reasons for not giving a specific account of the developments on top of Exhibition Centre Station and Diamond Hill Station during the funding application for the main works of SCL in 2012.

39. In response, DHy said that:

- (a) not all railway stations had been planned to have topside property developments since project initiation;
- (b) as the planning proposals for topside developments above Exhibition Centre Station and Diamond Hill Station had not been confirmed when the funding application for the main works of SCL was made in 2012, the works proposal in the then funding application had not set aside any funding to cater for the construction cost of topside developments above these two stations; and
- (c) the specific sequence of events was that in May 2012, the Government made the funding application for the main works of SCL, and in July 2014, the planning proposal for topside developments above Exhibition Centre Station was approved by the Town Planning Board. Therefore, when the Administration made the funding application in 2012, it could not confirm whether there would be a topside development plan.

40. Mr CHAN Chi-chuen enquired:

- (a) about the respective share between Exhibition Centre Station and Diamond Hill Station of the additional expenditures to be incurred on their topside developments, and the estimated costs of the various additional works to be conducted for the topside developments above Exhibition Centre Station (i.e. items (a) to (c) in paragraph 24 in Enclosure 1 to the discussion paper);

- (b) whether the works for topside developments would be conducted under open tenders in the future; and
- (c) whether the Government could recover these additional expenditures incurred on topside developments.

41. In response, STH and DHy said that:

- (a) the works for topside developments above Exhibition Centre Station accounted for a large part of the \$580 million expenditure; and
- (b) the entire SCL project was implemented under the concession approach, under which the Government provided funding for the construction works and entrusted MTRCL to carry out the construction works. Hence, both the ownership and development rights of the superstructures of stations would belong to the Government. Should the works for topside developments be conducted under open tenders in the future, the proceeds so generated would also belong to the Government.

Adjustment to fees for the M&V consultant

42. Ms Claudia MO sought for the reason for increasing the fees for the M&V consultant by \$44 million.

43. In response, DHy said that due to the change in the work schedule of SCL and the need to follow up the recommendations given in the Interim Report of the Commission of Inquiry, HyD had stepped up the work of the M&V consultant. As such, the relevant M&V consultancy fee needed to be increased in order to continue with the monitoring and regular verification work.

44. Mr HUI Chi-fung asked whether the M&V consultant commissioned by HyD would examine issues of legal liabilities involved in the project.

45. In response, DHy said that the M&V consultants were mainly professionals like engineers and quantity surveyors. Their work was to assist in the M&V work from a technical perspective and review whether modifications to the works were necessary and the costs were reasonable. They would not need to provide legal consultancy services.

46. Noting the response of the Administration, Mr HUI Chi-fung asked whether it had sought legal advice on the terms concerning the liability for fault or negligence in the entrustment agreement between the Government and MTRCL.

47. In response, STH said that:

- (a) it was often necessary to seek legal advice in taking forward large-scale projects from their commencement to settlement, particularly when entrustment agreements were involved;
- (b) MTRCL was entrusted by the Government to carry out construction works. If the Government suffered any loss due to MTRCL's fault or if there was violation of the entrustment agreement, the Government could deduct the amount of money concerned according to the terms of the agreement, but such amount could not exceed that of the project management cost; and
- (c) the Government had the right to hold MTRCL accountable according to the terms of the entrustment agreement on the basis of the investigation findings of the Commission of Inquiry.

Modifications in response to the feedbacks and requirements of stakeholders and the railway operator

48. Noting that under project 61TR, modifications made in response to the feedbacks and requirements of stakeholders had resulted in an additional cost of more than \$2.2 billion, Mr Jeremy TAM sought for an account of the details.

49. In response, DHy said that:

- (a) modifications made in response to the feedbacks and requirements of stakeholders and the railway operator included measures in various aspects;
- (b) such measures included the early replacement of the seven-car trains running on TML with eight-car trains and deployment of more trains to enhance the service of WRL before the commissioning of TML so as to meet the needs of passengers; and

- (c) to cater for the construction works of stations, large-scale temporary traffic management measures had been implemented at Ma Tau Wai Road and MTRCL had deployed additional care ambassadors and traffic supervisors to assist residents, the elderly in particular, to adapt to traffic and footpath diversion.

50. Divisional General Manager (Projects Construction) of MTRCL added that MTRCL had recruited dozens of care ambassadors to provide assistance to residents throughout the period of traffic diversion.

51. Noting MTRCL's response, Mr Jeremy TAM was of the view that modifications to certain facilities were not the views and requests of stakeholders and the railway operator, such as the enhancement of station facilities, ticket selling systems and customer service facilities, etc. It should be MTRCL which was obliged to provide such facilities. In this connection, Mr Jeremy TAM requested the Administration to provide a breakdown of the additional cost of \$2.2 billion, including the manpower, expenditure and working hours required for deploying additional care ambassadors to provide on-site assistance to residents in adapting to traffic and footpath diversion.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC217/19-20(01) on 12 June 2020.]

Reprovisioning of Police Officers' Club (POC) and improvement to Police Sports and Recreation Club (PSRC)

52. Mr CHU Hoi-dick noted that the SCL project included reprovisioning of POC at Causeway Bay and improvement to PSRC at Boundary Street, with the total contract sums of the two projects exceeding \$650 million and around \$300 million respectively. Mr CHU Hoi-dick requested the Administration to provide the estimates made for such projects in the funding application submitted for the SCL project in 2012 and the subsequent increase in their project costs.

53. In response, DHy said that:

- (a) the paper on the funding application submitted in 2012 had set out the estimates for "other Government facilities" which, as explained in the paper, covered those for reprovisioning of

POC and improvement to PSRC;

- (b) the estimate in MOD prices for reprovisioning of POC was about \$400 million and that for improvement to PSRC was \$210 million; and
- (c) the actual returned tender prices of the two projects totalled \$950 million, representing an increase of \$300-odd million compared to their original combined estimate in 2012. The discrepancy mainly reflected the difference between market prices and the original estimates, with no additional works or changes to the original project contents involved.

54. Displaying two pictures at the meeting, Mr CHU Hoi-dick said that according to the report of Apple Daily, those pictures showed the redevelopment layout plan of POC. Mr CHU asked the Administration to explain whether it had the redevelopment layout plan of POC when it made the funding application in 2012 and whether the plan tallied with the one reported in Apple Daily. He also asked the Administration to give the production date of the layout plan in the two pictures displayed at the meeting (if the plan was prepared by it).

55. In response, DHy said that the Government could not confirm immediately whether the plan shown in the two pictures was prepared by it but would provide a written reply after the meeting.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC217/19-20(01) on 12 June 2020]

56. Dr KWOK Ka-ki considered it expensive to use \$900 million for reprovisioning of POC and improvement to PSRC. Dr KWOK requested the Administration to provide information on the project costs of the clubs/recreational facilities for civil servants completed in recent years, and a comparison with the project costs for reprovisioning of POC and improvement to PSRC.

57. STH said that the question raised by the member was outside the scope of the present agenda item. The Government did not have such information at present.

Admin 58. In response, the Deputy Secretary for Financial Services and the Treasury (Treasury)¹ said that the Government did not have the relevant information for the time being and would provide supplementary information for members' reference after the meeting. He supplemented that since the year of completion and service targets of each club/recreational facility for civil servants varied, a direct comparison might not be possible even if such information was available.

Claims from contractors

59. Mr Tony TSE requested MTRCL to provide a written account of the updated number of claims received from contractors and the amount of money involved.

60. In his preliminary response, General Manager (Procurement and Contracts) of MTRCL said that MTRCL had been handling the claims lodged by contractors under the contract terms. The amount of money involved in the approximately 1 000 claims received was close to \$8 billion and around 300 cases of such claims had been resolved.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC217/19-20(01) on 12 June 2020.]

61. Mr WU Chi-wai asked whether the amount of money involved in the claims which had not yet been resolved was included in the present application for additional funding or would be covered by the contingencies.

62. DHy replied that the claims which had been received but had not yet been resolved had been taken into account in the estimated increase in project cost under the present funding application in the light of the information available, and had not been included in the contingencies.

Contingencies

63. Noting that contingencies had been provided in the original APE for the SCL project, Dr Pierre CHAN sought for the reasons for submitting the present additional funding application.

64. In response, STH explained that:

- (a) contingencies amounting to about 10% to 15% of the project estimates were in general provided in the estimates for large scale works projects. Under normal circumstances, the provision was adequate to cover additional expenses;
- (b) the situations involved in the present project were relatively special. The various reasons stated in the paper, such as the conservation of monuments at Sung Wong Toi Station, the reinforcement works for topside developments above Exhibition Centre Station, the failure to conduct detailed investigation at the location of the ex-Wan Chai Swimming Pool and the subsequent discovery that the geological condition there was different from that anticipated, as well as the discovery of a large metal object in the reclamation zone in Wan Chai, were all unforeseeable. The contingencies of around \$5.8 billion in the original APE had been fully utilized to pay part of the additional expenses mentioned above; and
- (c) it was proposed to make a provision of around \$1.7 billion for 61TR and 62TR as additional contingencies, which was about 10% of the estimates for the remaining works.

65. Mr WU Chi-wai said that as 90% of the SCL project had been completed, the uncertainties to be encountered by the remaining works should be fewer. In this connection, Mr WU asked about the other factors that would result in a further increase in the project cost, and the anticipated specific uses of the around \$1.7 billion set aside as additional contingencies.

66. In response, DHy said that:

- (a) despite the completion of 99% of the works relating to the East-West Line of SCL, civil engineering works were still in progress for the Cross Harbour Section of the North-South Line in Wan Chai North, to be followed by track laying works, and works for the signaling system, etc. Unforeseeable circumstances might still arise in the construction process. Even upon completion of the works, a higher than expected payment might be required to meet contractors' claims when settling the accounts in future;

- (b) the foreseeable circumstances and the additional expenses that might be incurred had been factored into the proposed additional APE; and
- (c) the additional contingencies of about \$1.7 billion to be reserved accounted for about 10% of the costs of the remaining works, which was more or less the same as the relevant percentage for normal public works projects, and the use of the contingencies was not specifically specified currently.

Providing assistance and compensation for residents affected by the works

67. Dr Priscilla LEUNG, Ms CHAN Hoi-yan and Dr Helena WONG were concerned that many households in To Kwa Wan were suspected to have been affected by the works of SCL in that cracks had appeared in their buildings. Their understanding was that according to the Administration, assistance would be provided to the residents in repairing their buildings on a without prejudice basis. In this connection, they enquired about the progress of building repair and whether the affected residents would be provided with compensation in cash.

68. CEO of MTRCL and Deputy General Manager (Projects and Property Communications), MTRCL responded that on a without prejudice basis, MTRCL introduced a community care programme in early 2019 to subsidize residents who might be affected by the construction works of SCL to repair their damaged buildings. As at the end of 2019, about 200 households had been subsidized to carry out repairs to the walls inside their units. This arrangement made by MTRCL out of goodwill would not affect the rights of the relevant residents to pursue responsibility and claim compensation in future.

69. Dr Priscilla LEUNG, Ms CHAN Hoi-yan and Dr Helena WONG considered that MTRCL should take responsibility for the impacts brought to residents and shop operators in Kowloon City during the construction of SCL by offering substantial fare concessions to passengers upon its commissioning. Dr WONG also hoped that MTR Fare Savers could be set up at various stations of SCL.

70. STH replied that upon the commissioning of TML Phase 1, a number of public transport operators had already provided various fare concessions for residents and passengers. It was expected that the same

approach would be adopted upon the full commissioning of SCL in future. Details of the concessions would be subject to negotiation with MTRCL.

71. In response, CEO of MTRCL advised that MTRCL would provide various types of fare concessions for passengers whenever a new railway line was commissioned and it was expected that upon the commissioning of TML in the third quarter of 2021, consideration would be given to providing special concessions. Besides, MTRCL would provide an additional 20% fare concession for all passengers starting from 1 July 2020.

72. Mr CHAN Han-pan considered that the existing fares of WRL were on the high side. He requested the Administration to take the opportunity of the commissioning of TML to review the fare structure in order to alleviate the burden of the public.

73. In response, STH explained that:

- (a) ERL and WRL were owned by the Kowloon-Canton Railway Corporation ("KCRC") while the railway services were operated by MTRCL through service concession with part of the revenue going to KCRC. Therefore, it would be necessary for MTRCL to negotiate with KCRC in determining and reviewing the fares of TML;
- (b) ERL had the support from the fares of cross-boundary services, and ERL and WRL also had different fare structures; and
- (c) the Government would request MTRCL to consider reviewing its fare structure upon the commissioning of the new railway line.

Responsibility for the construction works at the Hung Hom Station Extension and the related incidents

74. Mr KWONG Chun-yu, Mr SHIU Ka-chun, Ms Claudia MO and Dr KWOK Ka-ki expressed concern about the responsibility for the quality and supervision problems of the construction works at the Hung Hom Station Extension of SCL. Mr KWONG and Mr SHIU asked whether the Administration or MTRCL should be held responsible for the incidents. Ms MO and Dr KWOK asked STH whether he would take responsibility for the incidents and resign. Ms MO also asked whether the Government

would sue MTRCL.

75. In response, STH said that:

- (a) in its Final Report, the Commission of Inquiry clearly set out a chronology of the construction works at the Hung Hom Station Extension which commenced in 2013 and were completed at the end of 2016. The current-term Government was aware of the incidents only in 2018, and the persons in charge back then had already left their office;
- (b) he had his due responsibilities as a politically accountable official of the current-term Government. The first and foremost task would be to make continuous efforts to complete the remaining works of SCL and lead the Government team to seriously follow up the various recommendations made by the Commission of Inquiry;
- (c) by drawing reference from the recommendations made in the two reports of the Commission of Inquiry, the Government had conducted a systemic review internally. Preliminary findings did not show that any individual government official should be held responsible for the incidents;
- (d) in its Interim Report, the Commission of Inquiry made 58 recommendations to promote public safety and assurance on quality of works, which were broadly divided into six categories:
 - (i) promoting public safety;
 - (ii) enhancement of leadership, competence and governance;
 - (iii) promoting collaborative culture;
 - (iv) revised arrangements for contractual and commercial issues;
 - (v) rationalization and clarification of rules and requirements; and
 - (vi) review of M&V arrangements;

- (e) the Government had appointed an Independent Audit Panel to conduct an audit on the implementation progress of the measures recommended in the Interim Report of the Commission of Inquiry. Of the 58 recommendations, some had been completed and a number of them had been fully implemented; and
- (f) in respect of pursuing the matter with MTRCL, the Government would follow it up in accordance with the findings in the Final Report of the Commission of Inquiry and if necessary, the Government would pursue the matter seriously in accordance with the entrustment agreement.

76. CEO of MTRCL replied that given its inadequacies in project management in respect of the construction works at the Hung Hom Station Extension, MTRCL would, by drawing reference from the improvement measures recommended in the report of the Commission of Inquiry, comprehensively follow up such areas as project management, quality management, on-site supervision, contractual system, etc. MTRCL had set aside \$2 billion to follow up the matters relating to Hung Hom Station.

77. Mr WU Chi-wai said that obviously there were serious inadequacies in the supervision of works at the Hung Hom Station Extension and asked whether STH would lead MTRCL and the team of contractors to seriously tender an apology to the public.

78. In response, STH said that:

- (a) it was pointed out clearly in the Final Report of the Commission of Inquiry that MTRCL's Project Integrated Management System was well-established. It was necessary to fill in Request for Inspection, Survey and Check ("RISC") forms at hold points at different stages of the construction process to certify completion of inspection before the next stage of works could be carried out. However, in practice, RISC forms were not filled in or were missing, resulting in incomplete records. In respect of site supervision, MTRCL and the contractors had inevitable responsibility while the Government also had to take some responsibility. The report of the Commission of Inquiry had focused on the systems and work processes, and so far, there was no evidence against any individual team of civil servants; and

- (b) the first and foremost task would be to make utmost effort to implement the improvement measures recommended in the report of the Commission of Inquiry. The Independent Audit Panel appointed by the Government would submit a report on the Government's follow-up work one year after the release of the Commission of Inquiry's report to ensure the implementation progress of such measures.

79. Ir Dr LO Wai-kwok and Ms CHAN Hoi-yan said that this funding application for an additional \$10 billion for the SCL project and the incidents relating to the construction works at the Hung Hom Station Extension were two different issues and that members should not lump them together. Ir Dr LO was concerned that if the additional provision was not approved by FC within this legislative year, the SCL project would have to be suspended in October this year, which would have an extremely huge impact. He expressed support for the approval of the additional funding as soon as possible. Ms CHAN Hoi-yan supported the Administration to clearly explain in its paper the serious consequences of not approving the funding application, so as to prevent allegations about the Government concealing information from or blackmailing the Legislative Council.

80. Mr Abraham SHEK declared that he was a non-executive Director of MTRCL. He considered that STH should not resign for the incidents relating to the construction works at the Hung Hom Station Extension and that the Board of MTRCL should instead be held responsible for the incidents. Mr SHEK said that he understood the serious consequences to be brought about if the funding application was not approved and therefore, he had no alternative but to support this application for additional funding. He also pointed out that given the problems in the existing project management system, MTRCL should focus on the management of railway projects rather than property development projects.

Follow-up actions for the construction works at the Hung Hom Station Extension

81. Mr WU Chi-wai said that it was his understanding that SCL and XRL were both railway projects implemented under entrustment agreements, and the Government monitored the railway works by way of "checking the checker". Regarding the problems arising from the delay in the construction of XRL, the Board of MTRCL and the Select Committee established by LegCo had respectively issued a report. Mr WU pointed

out that the conclusion of the report of the Commission of Inquiry concerning the construction works at the Hung Hom Station Extension was akin to the conclusions of the reports on the delay in the construction of XRL years back, but it seemed that the Administration and MTRCL had both failed to take early precautionary measures in the light of those reports published years back, so as to reduce the risks in taking forward new railway projects. In this connection, Mr WU asked whether STH had made reference to the improvement measures recommended in the two reports on XRL when dealing with the SCL entrustment agreement, and applied them in the monitoring and management work of the SCL project. Dr Helena WONG asked whether the implementation of railway projects under entrustment agreements by the Government was a major factor leading to cost overruns, delays and quality problems in the projects.

82. In response, STH said that:

- (a) the inception of SCL or the entering into the entrustment agreement between the Government and MTRCL in respect of the SCL project were both earlier than the delay in the XRL project and the inquiry conducted by LegCo into the delay;
- (b) it was believed that the Government then had given careful consideration before deciding to undertake the XRL and SCL projects under the concession approach, and the then decision to adopt the concession approach should not be negated now because of certain problems arising in the process of taking forward the SCL project;
- (c) regarding the delay of the XRL project, the Government had taken a series of follow-up actions, such as increasing the number of government officials serving on the Board of MTRCL, enhancing the arrangements relating to the project steering committee and the formulation of an overall project schedule, and improving the work of the M&V consultant; and
- (d) the Government had noted the inadequacies in the actual monitoring work of the SCL project. For example, as the M&V consultant notified MTRCL in advance of the time of surprise checks and the items to be checked, the surprise checks failed to achieve the intended effect. The Government would improve the relevant monitoring arrangements in the future.

83. Dr Helena WONG asked what experiences and lessons the Government had learnt from the report of the Commission of Inquiry, and how STH would deal with the SCL project if it had just commenced.

84. In response, STH said that:

- (a) looking back from the present-day perspectives, it might not be possible to fully grasp the considerations that the then officials had taken into account in respect of the SCL project;
- (b) the Commission of Inquiry had made 58 recommendations in its Interim Report, involving broadly six areas. It was believed that improvements would have been made in all these six areas if the SCL project had only commenced today; and
- (c) the Government and MTRCL would draw experiences and learn lessons from this incident. For example, the project management system had to be implemented strictly, and RISC forms had to be filled in and records had to be kept immediately at the hold points of various stages of the construction process. MTRCL had implemented the improvement arrangement concerned. On the other hand, the Government was studying the establishment of a dedicated railway department specifically tasked to supervise and monitor the planning and delivery of railway projects.

85. Mr SHIU Ka-chun said that he hoped the Administration would expeditiously establish an independent railway department to monitor railway projects, so as to prevent the recurrence of problems such as cost overruns. Mr SHIU asked whether the Government would address the existing cost overruns of SCL only after establishing the railway department.

86. In response, STH said that:

- (a) there was room for improvement in the monitoring work of the Government. Therefore, it would seriously follow up the recommendations of the Commission of Inquiry and establish a dedicated railway department. The aim was to establish it before taking forward new railway projects, so as to ensure that new railway projects could be completed on schedule and

with the specified budget and quality; and

- (b) if the application for additional funding for SCL was not dealt with now pending the establishment of a railway department, there would possibly be a considerable impact on the SCL project, including its completion and commissioning dates. Upon receiving the additional funding, the Government would take forward full steam ahead the remaining works of SCL, and at the same time would study the establishment of a railway department.

87. Mr CHAN Chi-chuen said that during FC's discussion of the item on the funding support to the Ocean Park the week before, the Government had indicated that Ocean Park would close down if the funding application was not approved. Now that FC was considering the application for additional funding for SCL, the Government indicated once again that if the funding application was not approved, there would be serious consequences and much more expenses would be incurred in the future. In this connection, Mr CHAN asked whether the aforesaid situation could have been avoided if DHy had been able to assume office earlier.

88. DHy replied that the role of HyD in the SCL project was to check the checker, namely MTRCL. Following the release of the Interim Report by the Commission of Inquiry, the Government had expeditiously implemented some improvement measures that could be implemented immediately, so that mistakes would not be repeated in the remaining works of SCL. For example, HyD officers had already been deployed to station at the main sites of the railway project not only to check the supervision work of MTRCL, but also to personally inspect the construction works on the sites at any time. The Government had also discussed with the senior management of MTRCL ways to enhance communication in terms of the organizational structure.

89. Mr CHAN Han-pan asked whether the various government officials serving on the Board of MTRCL would perform their regulatory functions more proactively following the incident relating to the construction works at the Hung Hom Station Extension.

90. Mr LUK Chung-hung said that he believed members would have no choice but to support this application for additional funding to prevent the SCL project from ending up in failure. In his view, it was incumbent on the Government to make every possible means to prevent the recurrence of similar cost overrun incidents. Pointing out that the Government had

recently proposed to take forward the Tuen Mun South Extension and the Tung Chung Line Extension using the ownership approach in place of the concession approach adopted previously, he asked whether the change reflected the unsatisfactory management on the part of MTRCL under the concession approach. Mr LUK also asked whether the Government had referred to the practice of the business sector and adopted an approach that could effectively prevent project cost overruns, or whether MTRCL should fully bear the risks of project cost overruns.

91. In response, STH said that:

- (a) the non-executive directors appointed by the Government to serve on the Board of MTRCL had all discharged their public duties. They would remind MTRCL to focus on serving Hong Kong with an emphasis on railway operation and services; and
- (b) the Government had taken various development approaches to take forward railway projects. For example, the West Island Line project had been taken forward with the provision of a grant. Regardless of which development approach was adopted, the most important thing to do was to effectively assess the project cost estimates. Whether it was capital or land, the government team had to verify if the estimates were reasonable.

92. Noting the Commission of Inquiry's recommendation that the Government should establish an independent railway department and FC's earlier consideration of the proposal of the Electrical and Mechanical Services Department ("EMSD") to increase manpower, Mr Tony TSE asked whether the manpower of other government departments involved in railway works would be increased.

93. In response, STH said that:

- (a) currently the Transport and Housing Bureau took charge of the overall railway planning and policy while various policy bureaux/departments (such as HyD, the Transport Department, EMSD, the Buildings Department, the Fire Services Department, the Police Force and the Environmental Protection Department) were responsible for carrying out the work involving railway projects under their respective policy areas;

- (b) the Government looked forward to establishing a dedicated railway department to consolidate the existing work functions of various departments relating to railway projects, so as to enhance synergy; and
- (c) FC had earlier approved the creation of two posts at the Chief Engineer level in EMSD, so as to cope with the additional workload and the implementation of the new initiatives of the department. When the establishment of a dedicated railway department was explored, the functions, structure and staffing establishment of the new department would be fully taken into consideration.

Other concerns

94. Ir Dr LO Wai-kwok said that only a small part of the SCL project had remained unfinished. For the time being, the Tung Chung Line Extension and the Tuen Mun South Extension were the only railway projects under planning. He hoped that professionals with expertise in railway projects could continue to give full play to their strengths in new railway projects. In this connection, Ir Dr LO was concerned whether there would be gaps in the implementation of railway projects, leading to wastage of such professionals.

95. In response, CEO of MTRCL said that he expected a steady workload for the railway personnel, so that they would have the opportunity to work and realize their potential. In order to nurture railway talents, the railway personnel could participate in overseas railway projects when the workload of local railway projects was low to allow them to accumulate experience. Notwithstanding that, the work in Hong Kong was always the most important.

Summoning the persons concerned to testify or give evidence

96. At 6:31 pm, the Chairman reminded members that members who wished to propose motions under paragraph 19 of the Finance Committee Procedure to summon the persons concerned to testify or give evidence should submit their motions by 1:00 pm on 8 June, with the names of the persons proposed to be summoned specified therein, and each member should submit only one motion. The Chairman said that upon receiving all the motions, he would make a ruling on whether the motions concerned were in order, and arrange to hold a joint debate on such motions and put

each of them to vote at the next meeting.

97. The meeting ended at 6:58 pm.

Legislative Council Secretariat
23 November 2020