

Latest cost estimate of Shatin to Central Link project

A spokesman for the Transport and Housing Bureau said today (February 28) that the Government had reviewed the MTR Corporation Limited (MTRCL)'s revised entrustment cost estimate for the main construction works of the Shatin to Central Link (SCL) and considered that a downward adjustment to the estimate was necessary. The MTRCL was informed today that the revised entrustment cost estimate agreed by the Government was \$81,628.3 million, representing an increase of \$10,801.3 million compared with the original estimate, but a reduction of about \$5,700 million compared with the estimate in 2017.

On December 5, 2017, the MTRCL notified the Government that the entrustment cost of the main construction works of the SCL would be raised from \$70,827 million to \$87,328 million, with an increase of about \$16,500 million over the original entrustment cost. The Highways Department (HyD), in collaboration with its monitoring and verification consultant (M&V consultant), had held numerous meetings with the MTRCL. In order to ascertain whether there were sufficient justifications for the cost estimate, the HyD had critically examined the information provided by the MTRCL, as well as the underlying assumptions and the basis of the estimate.

After taking into account the views of the HyD, the MTRCL confirmed with the Government on February 21, 2020, that the entrustment cost estimate for the main construction works of the SCL should be revised to \$82,999.3 million. However, the Government considered the justification submitted by the MTRCL for the proposed additional project management cost (about \$1,371 million) insufficient as there had been no material modifications to the scope of works, the entrustment activities and/or the entrustment programme of the entrustment agreement, and thus disagreed to any additional project management cost. The Government was disappointed that the MTRCL insisted on the inclusion of the additional project management cost in the revised cost estimate despite repeated discussions.

For the above reason, the Government adjusted the revised entrustment cost estimate to \$81,628.3 million, which was an increase of \$10,801.3 million over the original entrustment cost. After taking into account the original project contingencies, expenses paid by other works projects, as well as the M&V consultancy fee and other Government expenses, an increase of the approved project estimate by about \$10,063.8 million was required in order to take forward the remaining works of the SCL project. The Government considered that the revised entrustment cost estimate could serve as a basis for the funding application for the remaining works. The MTRCL should continue to manage payments to contractors, etc., in accordance with the terms of the contracts. The Government would rigorously monitor the process.