

**Summary of Recommendations made by the Public Accounts Committee (PAC)
on “Acceleration of works in the Strategic Sewage Disposal Scheme (SSDS)
Stage I” and the Administration’s responses**

	Recommendations	Administration’s latest response
(I)	<p>The works department concerned should critically assess the risk and cost of the contract arrangement for time-critical projects, particularly those projects which involve the letting of advance projects, so as to ensure that the most cost-effective contract arrangement will be adopted. <i>(Chapter 1 of Part V of PAC Report No. 32, July 1999)</i></p>	<p>The Administration had accepted the Committee’s recommendation that the works department concerned should critically assess the risk and cost of contract arrangement for time-critical projects. The Administration would ensure that this requirement was followed in addition to the general guidance given in the Project Administration Handbook. In future, the Drainage Services Department (DSD) would also advise the relevant policy bureaux and the client departments of the potential cost and risk involved at an early stage of implementing such projects. <i>(Part III of PAC Report No. 33, February 2000)</i></p> <p>In August 2000, Drainage Services Department issued a technical circular to advise staff to critically assess the risk and costs of contract arrangements for time-critical projects. <i>(Annual Progress Report on Matters Outstanding in the Government Minute of PAC Report No.33, September 2000)</i></p>
(II)	<p>Note the assurance of the Secretary for Works that he will advise all works departments of the high risk of awarding similar multiple contracts and his reiteration that in reviewing the Works Bureau (WB) procedures, he will take into account the Audit recommendations that the works department concerned should critically assess the need for adopting acceleration measures and should also consider other options. <i>(Chapter 1 of Part V of PAC Report</i></p>	<p>It has been a standing requirement that works departments have to fully consider the risk and consequences of delay in each case before adopting a multiple-contract arrangement. Procedural reviews are an ongoing process in the WB and changes are implemented as a natural result of various circumstances including PAC’s recommendations. The risk involved in the management of public works have been addressed in WB’s review of the General Conditions of</p>

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	<i>No. 32, July 1999)</i>	<p>Contract and the associated administrative procedures.</p> <p>WB has carried out, in conjunction with works departments, a review of the contractual mechanism for acceleration of works. It was decided that in future, all acceleration should be implemented by means of a separate agreement between the Government and the contractor such that the acceleration programme is binding on the contractor.</p>
(III)	<p>In future, more site investigations should be conducted for projects involving underground works. <i>(Chapter 1 of Part V of PAC Report No. 32, July 1999)</i></p>	<p>For projects involving substantial underground works, the DSD would conduct more comprehensive site investigations to reduce as far as possible uncertainties posed by the variability of the ground conditions although it was not possible to wholly eliminate such uncertainties by pre-construction investigation. For tunneling works such as those to be implemented in the next stage of the SSDS, working groups with the participation of the Geotechnical Engineering office and tunneling experts would be set up to plan the detailed requirements of site investigations. <i>(Part III of PAC Report No. 33, February 2000)</i></p>
(IV)	<p>Additional funds for public works projects involving substantial costs, risks and complexity should only be committed after prior approval has been obtained. <i>(Chapter 1 of Part V of PAC Report No. 32, July 1999)</i></p>	<p>It was already a standing Public Works Programme procedure that, during implementation of public works projects, works involving costs which would exceed the approved estimate should not be committed prior to the approval of additional funds. The Administration would ensure that this requirement was observed and that project managers would fully assess the potential extra cost of such works taking into account all known risks. <i>(Part III of PAC Report No. 33, February 2000)</i></p>

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(V)	<p>The PAC wish to be kept informed of the progress of the remaining works of the SSDS Stage I and note that consideration will be given to conducting an audit review in due course to ascertain the full cost of the SSDS Stage I and the factors leading to the budget overrun. <i>(Part III of PAC Report No. 33, February 2000)</i></p>	<p>The remaining works of Strategic Sewage Disposal Scheme Stage I comprise the completion of six deep sewage transfer tunnels with an overall length of 23.6 km. Excavation of three tunnels, from Kwai Chung to Tsing Yi, Tseung Kwan O to Kwun Tong, and Kwun Tong to To Kwa Wan, was completed in January 1999, November 1999 and April 2000 respectively. The other three tunnels are under active excavation using three tunnel boring machines. As at end September 2000, approximately 22.4 km or 95.0% of the total overall length have been excavated. The progress of part of the tunnelling works suffered some delay due to the need to carry out additional ground treatment at certain locations, and the traversing of a longer-than-expected fault zone in the tunnel from Tsing Yi to Stonecutters Island. Based on experience, we estimate that works on all tunnels can still be completed by the second half of 2001.</p> <p>Other works under the project are substantially completed. In particular, the Stonecutters Island Sewage Treatment Works have started operation since mid-1997. At present, sewage collected from Northwest Kowloon, which constitutes 25% of the total flow to be collected in the catchment areas of the project, is receiving chemically enhanced primary treatment at Stonecutters Island before being discharged through the 1.7 km long Stage I Outfall to the west of the Victoria Harbour. <i>(Annual Progress Report on Matters Outstanding in the Government Minute of PAC Report No.33, September 2000)</i></p>