

## **Chapter X : Works**

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10.1 At the Chairman's invitation, the Secretary for Works (S for W), Mr S S LEE, gave a presentation highlighting the major tasks of the Works Bureau (WB) and the works department in 2002-03 (Appendix V-9).

### **Variation in project estimates**

10.2 Referring to the variations in project estimates recorded in some of the sample public works projects on the list compiled by the Legislative Council Secretariat, Ms Emily LAU queried the substantial changes in the estimates after the award of tender and sought clarification on the mechanism in controlling these changes.

10.3 S for W advised that in general, the approved estimate for a public works project was calculated on the basis of the quantity of works materials required and money-of-the-day prices. The approved estimate might have to be adjusted due to unforeseen circumstances and changes in market price level. If an upward adjustment was required and supplementary funding was needed, approval from the Finance Committee would be sought. In the case of a downward adjustment, Heads of Department were not allowed to use the surplus funds for any additional works items not covered by the approved estimate.

10.4 On item 30 of the list referred to by Ms Emily LAU, the Director of Civil Engineering (DCE) explained that the design work for Chok Ko Wan Link Road in North Lantau was divided into two sections, namely, the Penny's Bay section and the Pa Tau Kwu section. The approved estimate at \$117.1 million under PWP Item 5740TH included the site investigation works and the detailed design for both sections. However, after the initial review stage, the detailed design for the Pa Tau Kwu section was suspended in July 2001 due to the uncertainty in programme and scope of the route 10 Coastal section. The project estimate had therefore been reduced. The detailed design and site investigation of the Penny's Bay section was completed in March 2002.

10.5 On item 34 of the list, the Director of Territory Development advised that the substantial difference between the approved estimate for the project of Trunk Road T7 in Ma On Shan (\$2,011.6 million) and the forecast estimate after the award of tender (\$1,582.87 million) was due to the fact that the tender price was lower than expected. The latest forecast estimate for the project was reduced further to about \$1,400 million to reflect the current market price level. He stressed that the surplus funds would be returned to the Administration

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for central reallocation.

10.6 Ms Emily LAU considered that the information provided in the Quarterly Reports on Public Works Programme as well as other returns could not fully explain the reasons for the variations in project estimates. Given that the sum of public money involved in public works projects was substantial, she urged the Administration to provide detailed explanation to avoid misunderstanding by the public. S for W reiterated that project estimates were suitably adjusted at various stages of the projects to reflect the actual tender prices and subsequent changes in the market price level. Taking item 34 of the list as an example, the original estimate for the project at \$2,011.6 million approved in June 2000 was adjusted downward to \$1,798.61 million in March 2001 to reflect the actual tender price, and then to \$1,582.87 million in June 2001 to reflect the changes in market price level.

10.7 The Chairman was concerned that variations in project estimates might mislead contractors to believe that such variations were the norm. Contractors might therefore submit a very low bid for public works projects and then seek additional funds after they had been awarded the contracts. S for W advised that the Administration had taken into account in tender evaluation not only the competitiveness in price, but also compliance with users' requirements and reliability of performance. A tenderer who offered the lowest bid might not necessarily be selected. In any case, the tender price submitted by the successful tenderer would not be adjusted upward after the award of the contract unless the scope of the works was expanded.

10.8 At Ms Emily LAU's request, the Administration undertook to provide a written reply to explain the variations in project estimates shown on the list mentioned in paragraph 10.2 above. The Chairman suggested the Clerk to liaise with the Administration and that the subject be followed up by the Public Works Subcommittee in due course.

### **Review of the Tendering System**

10.9 Whilst supporting the introduction of a standard marking scheme for tender evaluation for public works contracts later this year, Mr SIN Chung-kai asked whether additional resources would be required for implementing the scheme. Ms Emily LAU was concerned whether the introduction of the marking scheme reflected that there were deficiencies in the current tendering evaluation

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system. S for W clarified that that was not the case. He advised that the marking scheme aimed to improve the current system by systematically giving weight to both the tender price and the quality of tender in the evaluation. It also aimed to establish that a tenderer's past performance was an important attribute in assessing the quality of tender and that a good performer would have a better chance of winning a contract. This would provide an incentive for contractors to execute the contracts more effectively. It was expected that the implementation of the marking scheme would not involve additional resources.

10.10 Responding to Mr SIN Chung-kai, the Deputy Secretary for the Treasury (DS(Tsy)) advised that in accordance with the Stores and Procurement Regulations, Government procurement exceeding \$1.3 million (for goods and general services) and \$3 million (for construction and engineering services) in value was normally done by the use of open tendering procedures. The Financial Secretary had appointed several tender boards to consider and decide on the acceptance of tenders, e.g. the Central Tender Board chaired by the Secretary for the Treasury. Mr SIN saw the need for the Administration to put in place a mechanism to assess the performance of contractors after the completion of contracts. In response, DS(Tsy) pointed out that the procuring departments would monitor the performance of their contractors and submit a report to the tender board concerned after the completion of contracts.

10.11 As regards external auditing, S for W confirmed that all public works items were subject to the auditing of the Director of Audit.

### **Creation of local employment opportunities through public works projects**

10.12 On S for W's presentation that 25 000 new job opportunities had been created through new-start public works in 2001 and 30 000 would be created in 2002, Mr LEE Cheuk-yan was concerned that most of the job opportunities were not created for local employment. Pointing out the trend that the production of prefabricated parts of individual items for public works projects were outsourced to the Mainland and design work to other countries, Mr LEE urged the Administration to address the situation.

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10.13 Mr Albert CHAN also pointed out that about 80% of the design and drawing work for public works projects were done in places outside Hong Kong. For large-scale projects, it was common for the multinational companies which were awarded the projects to deploy staff at supervisory level from overseas to Hong Kong, thus depriving the local employees of the job opportunities. Mr CHAN was therefore not convinced that 30 000 new jobs would be created through new-start public works in 2002. Mr LEE Cheuk-yan and Mr Abraham SHEK held the same view. Mr SHEK urged the Administration to address the acute problem of unemployment in the construction industry where there were about 30 000 unemployed workers.

10.14 S for W advised that the Government was subject to the World Trade Organization Agreement on Government Procurement which aimed to provide for open and fair competition amongst domestic and foreign suppliers and service providers. To this end, the Agreement prescribed a set of requirements regarding non-discriminatory treatment of goods, services and service suppliers, etc. It was therefore inappropriate for the Government to require the service providers to employ only local workers for public works projects. S for W also said that as far as he knew, a majority of the design work for public works projects was done in Hong Kong. As regards construction works, while some of the prefabricated parts of individual items were produced in places outside Hong Kong, local workers were employed to carry out the construction works on sites. To maximize employment opportunities for local workers, the Government had taken strong action against illegal employment and ensured strict compliance with the laws and regulations on importation of labour. People who employed illegal immigrants and those who worked illegally would be prosecuted.

10.15 S for W assured members that the vast majority of the 30 000 new jobs created for the design contracts and construction contracts was for local employment. In fact, over 90% were related to actual construction works. Whilst appreciating members' concern about the problem of unemployment in the construction industry, S for W pointed out that as public works projects only accounted for 25% of the work of the industry, the problem of unemployment could only be fully addressed when the overall economy revived.

10.16 The Director of Highways added that the number of overseas staff deployed by multinational companies to work in Hong Kong for large-scale public works projects remained small. As regards minor works programmes, 850 new jobs would be created for the minor works to be undertaken by the Highways

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Department, such as beautification of pedestrian walkways and slopes. He assured members that all these minor works would be carried out by local workers.

10.17 To encourage the production of the prefabricated parts of individual items in Hong Kong, Mr SIN Chung-kai suggested the Administration to provide a suitable local site, such as an industrial estate, for the purpose. S for W advised that a relatively large site would be required for the production and the environmental impact on the surrounding areas should not be neglected.

10.18 Mr LEE Cheuk-yan considered it not cost-effective for the Administration to send its staff to monitor the production of the prefabricated parts in the Mainland. He suggested that a provision be included in the contracts between the Government and its contractors that all inspections would be carried out in Hong Kong. S for W considered the inspection essential to ensure the quality of the prefabricated parts. The resources spent on the inspections were much less than those spent on the local production of prefabricated parts.

### **Fast-tracking of public works projects**

10.19 Referring to the Administration's efforts in improving the delivery of public works through streamlining the procedures, Mr Abraham SHEK urged the Administration to streamline the procedures involved in processing the outstanding capital works projects of the former Provisional Municipal Councils. S for W advised that the Administration aimed to shorten the pre-construction lead-time from six years to less than four years for civil engineering projects and to two years for architectural services projects. The WB would liaise with the departments/bureaux concerned on the functional justifications for early implementation of individual works projects.

10.20 Apart from streamlining the procedures, Mr Abraham SHEK urged the Administration to expedite implementation of works projects through awarding design-and-build contracts to private contractors as an immediate measure to alleviate the problem of unemployment in the construction industry. S for W responded that some 390 new works contracts and consultancy agreements would be commenced in the coming financial year, representing an increase of about 40% over the previous year.

### **Works of Architectural Services Department**

10.21 Responding to Mr LAU Ping-cheung's enquiry about the increase by some \$1.5 billion in Architectural Services Department (ArchSD)'s expenditure on works, the Director of Architectural Services (D Arch S) advised that the works involved were mainly refurbishment and improvement works to be conducted by contractors in 2002-03. It was expected that about 2 000 new jobs would be created in the private sector for the works.

10.22 Noting the increase in provision of allowances by \$772,000 in 2002-03 for additional overtime work in connection with the \$1.5 billion minor works projects, Ms LI Fung-ying queried why ArchSD planned to delete 80 non-directorate posts in 2002-03. D Arch S explained that the posts were committed to be deleted under the Enhanced Productivity Programme. As no additional staff would be provided for the \$1.5 billion minor works projects, the existing staff would be required to undertake overtime work.

10.23 Referring to Arch SD's plan to outsource 71 new projects in 2002-03 at a total cost of \$23 billion, Mr Albert CHAN expressed concern that no net saving in the project expenditure would be achieved. D Arch S pointed out the need to outsource the 71 new projects, as existing staff in the department would be deployed to realise an expanded minor works programme committed by the Government for 2001-02 and 2002-03.

### **Slope safety**

10.24 Responding to Mr IP Kwok-him's enquiry on the target for improving slope safety, S for W advised that for the 37 000 Government slopes, the seven maintenance departments were actively engaged in routine maintenance inspections and necessary maintenance works of slopes under their purview. To ascertain the need for maintenance, the departments concerned had been carrying out inspections on the slopes, i.e. comprehensive inspections by professional engineers. The target was to complete 95% of such inspections by September 2002. Apart from routine maintenance works, the Administration also rectified substandard Government slopes by upgrading 250 Government slopes per year under the 10-year Extended Landslip Preventive Measures Programme commenced in 2000. As regards private slopes, the Administration aimed to complete safety-screening studies of 300 man-made private slopes in 2002 and where necessary, serve orders on the owners to rectify the deficiencies.

### **Environmental and ecological assessments and studies**

10.25 Noting that the Civil Engineering Department would undertake five environmental and ecological assessments and studies related to marine mud disposal in the coming years and about \$20 million was earmarked for 2002-03 for the purpose, Mr TAM Yiu-chung enquired about the details of the five assessments and studies. DCE advised that the Administration was carrying out these assessments and studies to monitor and to ensure that the effect of mud disposal on the marine environment was acceptable. He also said that one of the studies was to identify a new site in suitable areas for disposal of contaminated mud. The areas being studied were Airport East and East Sha Chau.