

Information Paper for Legislative Council Panel on Planning, Lands and Works

Supplementary Information on 53CD - River Training Works for the Upper River Indus

Introduction

When considering PWSC(2002-03)16 on **53CD** at the Public Works Sub-committee meeting held on 8 May 2002, Members requested and the Administration undertook to provide an information note on the details of the measures to tighten control on public works contractors during project implementation, given the lesson learnt in the previous contract under the same item.

Measures to Tighten Control on Contractors during Project Implementation

2. Recently we had carried out a comprehensive review aiming at tightening the control and enhancing the performance of the public works contractors. The improvements recommended by the review have been incorporated in the contractor management handbook. Some of these are highlighted below.

3. We will ensure that the contractors are financially sound to complete the public works contracts awarded to them. To this end, the financial criteria for admission, retention and tendering on the approved lists have been tightened. The capital requirements have been raised. A profitability trend analysis has been introduced to appraise the financial performance of contractors. A tender will not be recommended for acceptance unless the contractor meets the financial requirement laid down. Contractors will also be required to provide additional financial information as necessary for auditing. Regulating actions will be taken if the contractor fails to meet the financial criteria.

4. Selection of a competent contractor is of utmost importance for successful completion of a public works project. As such, a new marking scheme will be introduced later this year for evaluating tender bids. The new marking scheme will take into account both the tender price and the quality of work that the contractor can deliver. The past performance of the tenderer will therefore be an important factor for evaluation. This provides an incentive for contractors to complete their contracts successfully. To ensure dedicated commitment and good financial strength of the prospective contractor, he will be

required to deposit a performance bond with the Government. We will also include in the contracts of larger scale projects, milestones on work progress which the contractors will have to achieve by the dates stipulated.

5. We will step up control on the contractors during the construction stage by increasing the frequency of site visits by directorate officers and shortening the timeframe for taking regulating actions against a non-performing contractor. The contractor will be suspended from tendering when he receives two consecutive adverse reports on performance under the same contract instead of the previous requirement of three consecutive adverse reports.

Completion Contract under 53CD

6. Applying the above principles to the case of **53CD**, we have put in place a series of measures both in improving the tendering system and in tightening the control on the completion contract during construction.

7. At the tender stage, we will employ the right contractor for the completion contract having regard to the tenderers' experience, past performance, financial strength, resources available and other technical capabilities. If necessary, the Government could require the potential contractor to inject additional capital. To further safeguard the Government against non-performance of the contractor, the successful tenderer of this completion contract will be required to secure the Government with a performance bond to demonstrate his commitment and financial soundness.

8. At the construction stage, a series of measures outlined in paragraph 5 above will be implemented to closely monitor the contractor's performance. To elaborate, upon contract commencement the Territory Development Department (TDD) will convene bi-weekly site visits and progress meetings with the consultants and the contractor to monitor progress of the works. In addition, TDD's senior directorate staff will appraise the monthly progress. With the new monitoring system, we will be able to identify bottlenecks, to facilitate a smooth works programme and to provide assistance in resolving disputes before they surface or become a hindrance to the programme.

9. On any sign of deterioration of progress, TDD's senior directorate staff will interview the top management of the contractor who will then be advised to solve the problem immediately and to increase the level of resources to make up for the delays.

10. In case the performance of the contractor further deteriorates, TDD will issue adverse reports to the contractor. The contractors are well aware that when they receive two consecutive adverse reports on performance under the same contract, they will be suspended from tendering. This means that they will

lose business opportunities in the construction industry as a result of their poor performance.

11. We plan to start the construction works of the completion contract under **53CD** in August 2002 with a view to enhancing the flow capacity to cope with a one in 50 years rainstorm before the 2003 rainy season, and to completing the whole contract works in March 2004. We will closely monitor the works to ensure that they are carried out to our satisfaction.

Works Bureau
May 2002